



Dave Yost • Auditor of State



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY  
JUNE 30, 2016**

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HURON COUNTY  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

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 Monroeville Local School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroeville Local School District, Huron County, Ohio, as of June 30, 2016, and the respective changes in financial position 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 6, 2017

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The discussion and analysis of the Monroeville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- Net position of governmental activities increased \$3,236,696 which represents a 39.93% increase from 2015.
- General revenues accounted for \$7,108,459 in revenue or 61.83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,388,762 or 38.17% of total revenues of \$11,497,221.
- The District had \$8,260,525 in expenses related to governmental activities; \$4,388,762 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,108,459 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$7,828,237 in revenues and other financing sources and \$7,160,293 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$667,944 from a deficit balance of (\$199,641) to \$468,303.
- The bond retirement fund had \$214,804 in revenues and \$225,978 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance decreased \$11,174 from \$328,592 to \$317,418.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

***Governmental Funds***

Most of the 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 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	<b>Net Position</b>	
	Governmental Activities 2016	Governmental Activities 2015
<b><u>Assets</u></b>		
Current and other assets	\$ 4,352,528	\$ 3,154,095
Capital assets, net	<u>8,381,100</u>	<u>5,661,736</u>
Total assets	<u>12,733,628</u>	<u>8,815,831</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>1,003,650</u>	<u>608,759</u>
Total deferred outflows of resources	<u>1,003,650</u>	<u>608,759</u>
<b><u>Liabilities</u></b>		
Current liabilities	769,617	838,350
Long-term liabilities:		
Due within one year	213,228	212,914
Due in more than one year:		
Net pension liability	9,491,223	8,331,997
Other amounts	<u>4,991,321</u>	<u>4,957,518</u>
Total liabilities	<u>15,465,389</u>	<u>14,340,779</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	2,449,492	1,680,121
Pensions	<u>691,725</u>	<u>1,509,714</u>
Total deferred inflows of resources	<u>3,141,217</u>	<u>3,189,835</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	3,577,865	758,608
Restricted	491,495	709,436
Unrestricted (deficit)	<u>(8,938,688)</u>	<u>(9,574,068)</u>
Total net position (deficit)	<u>\$ (4,869,328)</u>	<u>\$ (8,106,024)</u>

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

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.

Under the new standards required by GASB 68, the net pension liability equals the 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 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.

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 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.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

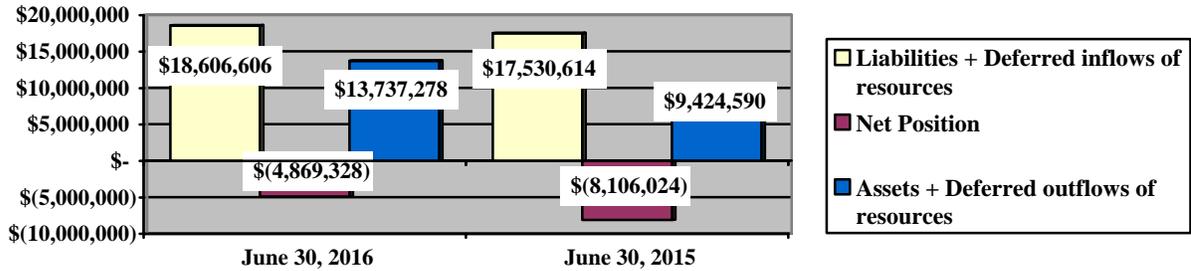
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$4,869,328.

At year-end, capital assets represented 65.82% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2016, was \$3,577,865. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The increase in assets at June 30, 2016 can mainly be attributed to the addition of a donated athletic complex valued at \$2,800,000.

A portion of the District's net position, \$491,495, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$8,938,688.

The graph below illustrates the governmental activities assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, and net position at June 30, 2016 and June 30, 2015.

**Governmental Activities**



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	2016	2015
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 890,901	\$ 866,107
Operating grants and contributions	697,861	668,122
Capital grants and contributions	2,800,000	-
General revenues:		
Property taxes	2,627,113	2,357,180
Income taxes	1,270,762	1,252,172
Grants and entitlements	3,146,493	2,454,155
Investment earnings	4,751	1,967
Other	59,340	13,107
Total revenues	11,497,221	7,612,810

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Change in Net Position (Continued)**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,237,671	\$ 3,215,173
Special	978,416	862,125
Vocational	197,433	177,402
Support services:		
Pupil	229,325	221,546
Instructional staff	587,270	387,757
Board of education	6,878	26,615
Administration	664,439	618,191
Fiscal	368,848	363,844
Business	24,780	7,068
Operations and maintenance	756,797	283,013
Pupil transportation	357,285	401,486
Central	1,598	2,759
Operations of non-instructional services:		
Other non-instructional services	60,462	48,577
Food service operations	270,474	236,493
Extracurricular activities	333,810	244,374
Interest and fiscal charges	<u>185,039</u>	<u>226,203</u>
Total expenses	<u>8,260,525</u>	<u>7,322,626</u>
Change in net position	3,236,696	290,184
Net position (deficit) at beginning of year	<u>(8,106,024)</u>	<u>(8,396,208)</u>
Net position (deficit) at end of year	<u>\$ (4,869,328)</u>	<u>\$ (8,106,024)</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$3,236,696. Total governmental expenses of \$8,260,525 were offset by program revenues of \$4,388,762 and general revenues of \$7,108,459. Program revenues supported 53.13% of the total governmental expenses.

During fiscal year 2016 the District was gifted an athletic complex valued at \$2,800,000. This amount is recorded as a capital contribution and is primarily the cause for the increase in program revenues.

The other primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 61.27% of total governmental revenue.

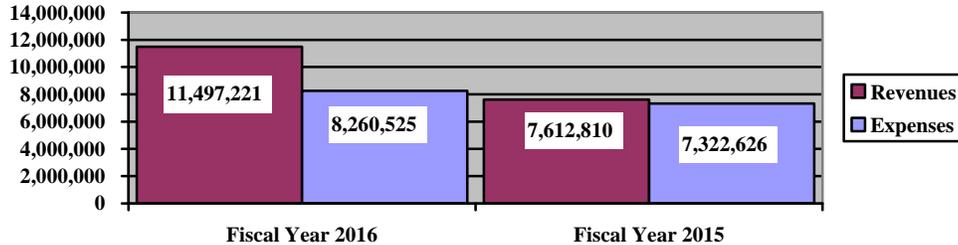
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,413,520 or 53.43% of total governmental expenses for fiscal 2016.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2016 and 2015.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,237,671	\$ 2,586,269	\$ 3,215,173	\$ 2,574,043
Special	978,416	563,261	862,125	436,551
Vocational	197,433	179,756	177,402	174,993
Support services:				
Pupil	229,325	229,325	221,546	221,546
Instructional staff	587,270	492,214	387,757	380,548
Board of education	6,878	6,878	26,615	26,615
Administration	664,439	642,509	618,191	594,010
Fiscal	368,848	368,848	363,844	363,844
Business	24,780	24,780	7,068	7,068
Operations and maintenance	756,797	756,797	283,013	283,013
Pupil transportation	357,285	352,740	401,486	397,365
Central	1,598	1,127	2,759	2,759
Operations of non-instructional services:				
Other non-instructional services	60,462	36,402	48,577	(18,518)
Food service operations	270,474	5,897	236,493	(15,652)
Extracurricular activities	333,810	(2,560,079)	244,374	134,009
Interest and fiscal charges	185,039	185,039	226,203	226,203
<b>Total expenses</b>	<b>\$ 8,260,525</b>	<b>\$ 3,871,763</b>	<b>\$ 7,322,626</b>	<b>\$ 5,788,397</b>

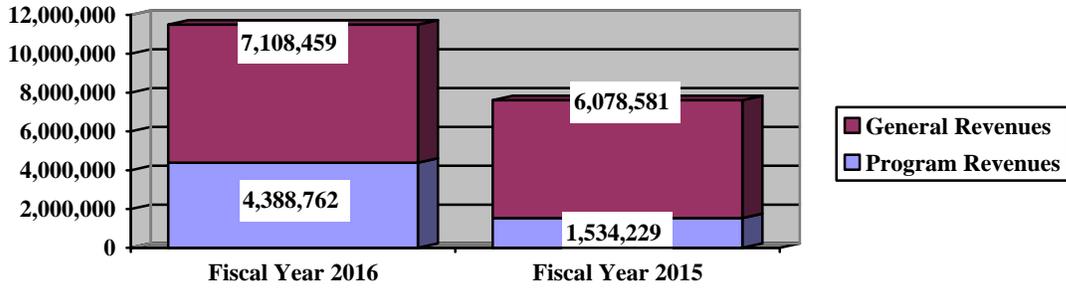
The dependence upon tax and other general revenues for governmental activities is apparent, 75.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 46.87%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$970,722, which is higher than last year's total of \$431,142. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance (Deficit) June 30, 2015</u>	<u>Change</u>	<u>Percentage Change</u>
General fund	\$ 468,303	\$ (199,641)	\$ 667,944	334.57 %
Bond retirement fund	317,418	328,592	(11,174)	(3.40) %
Nonmajor governmental funds	<u>185,007</u>	<u>302,191</u>	<u>(117,184)</u>	(38.78) %
Total	<u>\$ 970,728</u>	<u>\$ 431,142</u>	<u>\$ 539,586</u>	125.15 %

**General Fund**

The District's general fund balance increased from the previous year by \$667,944.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,667,071	\$ 3,227,468	\$ 439,603	13.62 %
Tuition	600,123	563,401	36,722	6.52 %
Earnings on investments	4,663	1,441	3,222	223.59 %
Intergovernmental	3,307,594	2,631,651	675,943	25.69 %
Other revenues	<u>114,455</u>	<u>80,144</u>	<u>34,311</u>	42.81 %
Total	<u>\$ 7,693,906</u>	<u>\$ 6,504,105</u>	<u>\$ 1,189,801</u>	18.29 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,207,651	\$ 4,047,437	\$ 160,214	3.96 %
Support services	2,550,960	2,512,355	38,605	1.54 %
Extracurricular activities	209,157	166,224	42,933	25.83 %
Capital outlay	-	88,361	(88,361)	(100.00) %
Debt service	<u>125,010</u>	<u>185,922</u>	<u>(60,912)</u>	(32.76) %
Total	<u>\$ 7,092,778</u>	<u>\$ 7,000,299</u>	<u>\$ 92,479</u>	1.32 %

Revenues of the general fund increased from the prior year by 18.29%. The majority of this increase can be attributed to an increase of tax revenue of \$439,603 due to the emergency levy the District passed coming into effect. Intergovernmental revenue increased \$675,943 due to an increase in funds received from the State of Ohio.

In total, expenditures of the general fund only increased \$92,479 or 1.32%. Capital outlay decreased due to the addition of a new capital lease during fiscal year 2015. Instruction expenditures increased \$160,214, mainly due to an increase in special instruction expenditures.

***Bond Retirement Fund***

The District's bond retirement fund balance decreased from the previous year by \$11,174. The bond retirement fund had \$214,804 in revenues and \$225,978 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance decreased from \$328,592 to \$317,418.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, original budgeted revenues and other financing sources amounted to \$6,164,868 and increased to \$7,206,028 in the final budget due to revised revenue estimates. Actual revenues and other financing sources for fiscal 2016 were \$7,488,743. This represents a \$282,715 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,724,019 were increased to \$7,737,359 for the final budget to correspond with revised revenue estimates. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$6,995,868, which was \$741,491 less than the final budget appropriations.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2016, the District had \$8,381,100 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 302,965	\$ 302,965
Land improvements	90,621	26,015
Building and improvements	7,477,789	4,838,487
Furniture, fixtures and equipment	229,224	164,526
Vehicles	280,501	329,743
Total	\$ 8,381,100	\$ 5,661,736

The overall increase in capital assets of \$2,719,364 is due to capital outlays of \$2,991,068 (including a donated athletic complex in the amount of \$2,800,000) exceeding depreciation expense of \$270,708 and disposals of \$996 (net of accumulated depreciation).

See Note 9 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2016, the District had \$4,483,325 in general obligation bonds outstanding, \$187,319 in capital lease obligations and \$59,179 in lease purchase obligations. Of the outstanding obligations total, \$178,134 is due within one year and \$4,551,689 is due within greater than one year. The following table summarizes the bonds, capital lease, and lease purchase obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2016	2015
General obligation bonds	\$ 4,483,325	\$ 4,583,660
Capital lease obligation	187,319	104,897
Lease purchase obligation	59,179	-
Total	\$ 4,729,823	\$ 4,688,557

See Note 12 to the basic financial statements for additional information on the District's debt administration.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**Current Financial Related Activities**

The District relies on property taxes, income tax, entitlements and grants. With the passage of the 1.5 percent Earned Income Tax (fiscal year 2013 \$1.1 million) in November 2009, the tax revenue is split between income, real estate, and farming. The District is mainly rural and has a very small industrial base; however with the loss of tangible personal property, the small amount derived from industry will be gone.

This District passed a 10 year Emergency Operating Levy on May 5, 2015. This amounts to an annual tax collection of \$443,000.00, which is equivalent to 4.95mils of property tax. Tax collections began January 1, 2015 and will be payable in calendar year 2016.

The facilities were overcrowded and have been updated significantly to meet the enrollment needs and additional course offerings necessary to be academically proficient. On November 6, 2012 the voters approved a 2.6 mill bond issue (\$4,195,000) to build a new PK-3 building on our existing site, connected to current buildings with a hallway. This new addition along with expansion of our cafeteria and the addition of an elevator in the high school will be completed in fiscal year 2015. Existing modular classrooms have been removed when the new building opened. This bond is currently being refinanced to save the taxpayers 14.66 percent, which is equivalent to \$762,828 over the life of the bond.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Stephanie L. Hanna, Treasurer, Monroeville Local School District, 101 West Street, Monroeville, Ohio 44847.

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 864,257
Receivables:	
Property taxes . . . . .	3,005,681
Income taxes. . . . .	457,102
Accounts. . . . .	52
Accrued interest . . . . .	845
Intergovernmental . . . . .	4,966
Prepayments . . . . .	9,484
Inventory held for resale. . . . .	10,141
Capital assets:	
Nondepreciable capital assets . . . . .	302,965
Depreciable capital assets, net. . . . .	8,078,135
Capital assets, net . . . . .	8,381,100
Total assets. . . . .	12,733,628
 <b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	770,260
Pension - SERS . . . . .	233,390
Total deferred outflows of resources . . . . .	1,003,650
 <b>Liabilities:</b>	
Accounts payable. . . . .	75,258
Accrued wages and benefits payable . . . . .	542,275
Intergovernmental payable . . . . .	21,739
Pension and postemployment benefits payable. . . . .	100,293
Accrued interest payable . . . . .	30,052
Long-term liabilities:	
Due within one year. . . . .	213,228
Due in more than one year:	
Net pension liability . . . . .	9,491,223
Other amounts due in more than one year . . . . .	4,991,321
Total liabilities . . . . .	15,465,389
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	2,449,492
Pension - STRS. . . . .	649,267
Pension - SERS. . . . .	42,458
Total deferred inflows of resources . . . . .	3,141,217
 <b>Net position:</b>	
Net investment in capital assets . . . . .	3,577,865
Restricted for:	
Capital projects . . . . .	102,618
Debt service. . . . .	294,224
Locally funded programs . . . . .	4,127
State funded programs. . . . .	21,699
Federally funded programs . . . . .	39,552
Student activities . . . . .	25,579
Other purposes . . . . .	3,696
Unrestricted (deficit) . . . . .	(8,938,688)
Total net position (deficit). . . . .	\$ (4,869,328)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,237,671	\$ 632,866	\$ 18,536	\$ -	\$ (2,586,269)
Special . . . . .	978,416	-	415,155	-	(563,261)
Vocational . . . . .	197,433	-	17,677	-	(179,756)
Support services:					
Pupil . . . . .	229,325	-	-	-	(229,325)
Instructional staff . . . . .	587,270	-	95,056	-	(492,214)
Board of education . . . . .	6,878	-	-	-	(6,878)
Administration . . . . .	664,439	21,697	233	-	(642,509)
Fiscal . . . . .	368,848	-	-	-	(368,848)
Business . . . . .	24,780	-	-	-	(24,780)
Operations and maintenance . . . . .	756,797	-	-	-	(756,797)
Pupil transportation . . . . .	357,285	-	4,545	-	(352,740)
Central . . . . .	1,598	-	471	-	(1,127)
Operation of non-instructional services:					
Other non-instructional services . . . . .	60,462	-	24,060	-	(36,402)
Food service operations . . . . .	270,474	150,139	114,438	-	(5,897)
Extracurricular activities . . . . .	333,810	86,199	7,690	2,800,000	2,560,079
Interest and fiscal charges . . . . .	185,039	-	-	-	(185,039)
<b>Total governmental activities . . . . .</b>	<b>\$ 8,260,525</b>	<b>\$ 890,901</b>	<b>\$ 697,861</b>	<b>\$ 2,800,000</b>	<b>(3,871,763)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	2,391,252
Debt service . . . . .	180,328
Capital outlay . . . . .	55,533
Income taxes levied for:	
General purposes . . . . .	1,270,762
Grants and entitlements not restricted to specific programs . . . . .	3,146,493
Investment earnings . . . . .	4,751
Miscellaneous . . . . .	59,340
<b>Total general revenues . . . . .</b>	<b>7,108,459</b>
Change in net position . . . . .	3,236,696
<b>Net position (deficit) at beginning of year . . . . .</b>	<b>(8,106,024)</b>
<b>Net position (deficit) at end of year . . . . .</b>	<b>\$ (4,869,328)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 393,988	\$ 278,380	\$ 188,193	\$ 860,561
Receivables:				
Property taxes . . . . .	2,688,976	243,575	73,130	3,005,681
Income taxes . . . . .	457,102	-	-	457,102
Accounts . . . . .	52	-	-	52
Accrued interest . . . . .	845	-	-	845
Intergovernmental . . . . .	573	-	4,393	4,966
Prepayments . . . . .	8,380	-	1,104	9,484
Inventory held for resale . . . . .	-	-	10,141	10,141
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	3,696	-	-	3,696
Total assets . . . . .	<u>\$ 3,553,612</u>	<u>\$ 521,955</u>	<u>\$ 276,961</u>	<u>\$ 4,352,528</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 72,321	\$ -	\$ 2,937	\$ 75,258
Accrued wages and benefits payable . . . . .	520,386	-	21,889	542,275
Compensated absences payable . . . . .	11,106	-	-	11,106
Intergovernmental payable . . . . .	21,538	-	201	21,739
Pension and postemployment benefits payable . . . . .	94,904	-	5,389	100,293
Total liabilities . . . . .	<u>720,255</u>	<u>-</u>	<u>30,416</u>	<u>750,671</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	2,192,499	197,679	59,314	2,449,492
Delinquent property tax revenue not available . . . . .	74,941	6,858	2,224	84,023
Income tax revenue not available . . . . .	97,614	-	-	97,614
Total deferred inflows of resources . . . . .	<u>2,365,054</u>	<u>204,537</u>	<u>61,538</u>	<u>2,631,129</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepays . . . . .	8,380	-	1,104	9,484
Unclaimed monies . . . . .	148	-	-	148
Restricted:				
Debt service . . . . .	-	317,418	-	317,418
Capital improvements . . . . .	-	-	100,394	100,394
Non-public schools . . . . .	-	-	13,302	13,302
Special education . . . . .	-	-	3,269	3,269
Targeted academic assistance . . . . .	-	-	3,145	3,145
Other purposes . . . . .	-	-	45,642	45,642
Extracurricular . . . . .	-	-	25,579	25,579
School bus purchases . . . . .	3,696	-	-	3,696
Assigned:				
Student instruction . . . . .	298	-	-	298
Student and staff support . . . . .	13,735	-	-	13,735
Unassigned (deficit) . . . . .	442,046	-	(7,428)	434,618
Total fund balances . . . . .	<u>468,303</u>	<u>317,418</u>	<u>185,007</u>	<u>970,728</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,553,612</u>	<u>\$ 521,955</u>	<u>\$ 276,961</u>	<u>\$ 4,352,528</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	970,728
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			8,381,100
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	84,023	
Income taxes receivable		97,614	
Total		181,637	181,637
Unamortized premiums on bonds issued are not recognized in the funds.			(207,743)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(30,052)
The net pension 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 of resources - pension		1,003,650	
Deferred inflows of resources - pension		(691,725)	
Net pension liability		(9,491,223)	
Total		(9,179,298)	(9,179,298)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(4,483,325)	
Capital lease obligations		(187,319)	
Lease purchase obligations		(59,179)	
Compensated absences		(255,877)	
Total		(4,985,700)	(4,985,700)
<b>Net position (deficit) of governmental activities</b>		\$	(4,869,328)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,401,461	\$ 182,830	\$ 56,544	\$ 2,640,835
Income taxes . . . . .	1,265,610	-	-	1,265,610
Tuition . . . . .	600,123	-	-	600,123
Earnings on investments . . . . .	4,663	-	92	4,755
Charges for services . . . . .	-	-	150,139	150,139
Extracurricular . . . . .	21,697	-	86,199	107,896
Classroom materials and fees . . . . .	32,743	-	-	32,743
Contributions and donations . . . . .	675	-	28,320	28,995
Other local revenues . . . . .	59,340	-	46,288	105,628
Intergovernmental - state . . . . .	3,307,594	31,974	36,514	3,376,082
Intergovernmental - federal . . . . .	-	-	392,985	392,985
Total revenues . . . . .	<u>7,693,906</u>	<u>214,804</u>	<u>797,081</u>	<u>8,705,791</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,184,680	-	34,302	3,218,982
Special . . . . .	823,988	-	148,289	972,277
Vocational . . . . .	198,983	-	-	198,983
Support services:				
Pupil . . . . .	206,901	-	24,125	231,026
Instructional staff . . . . .	514,887	-	69,986	584,873
Board of education . . . . .	6,979	-	-	6,979
Administration . . . . .	659,366	-	167	659,533
Fiscal . . . . .	356,588	7,413	2,401	366,402
Business . . . . .	24,623	-	-	24,623
Operations and maintenance . . . . .	475,676	-	24,771	500,447
Pupil transportation . . . . .	304,889	-	-	304,889
Central . . . . .	1,051	-	547	1,598
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	-	52,738	52,738
Food service operations . . . . .	-	-	266,888	266,888
Extracurricular activities . . . . .	209,157	-	96,898	306,055
Facilities acquisition and construction . . . . .	-	-	249,545	249,545
Capital outlay . . . . .	-	-	69,875	69,875
Debt service:				
Principal retirement . . . . .	102,244	50,000	10,696	162,940
Interest and fiscal charges . . . . .	22,766	168,565	427	191,758
Total expenditures . . . . .	<u>7,092,778</u>	<u>225,978</u>	<u>1,051,655</u>	<u>8,370,411</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>601,128</u>	<u>(11,174)</u>	<u>(254,574)</u>	<u>335,380</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	67,515	67,515
Transfers (out) . . . . .	(67,515)	-	-	(67,515)
Capital lease transaction . . . . .	134,331	-	69,875	204,206
Total other financing sources (uses) . . . . .	<u>66,816</u>	<u>-</u>	<u>137,390</u>	<u>204,206</u>
Net change in fund balances . . . . .	667,944	(11,174)	(117,184)	539,586
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>(199,641)</b>	<b>328,592</b>	<b>302,191</b>	<b>431,142</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 468,303</u></b>	<b><u>\$ 317,418</u></b>	<b><u>\$ 185,007</u></b>	<b><u>\$ 970,728</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	539,586
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,991,068	
Current year depreciation	(270,708)	
Total		2,720,360
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(996)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(13,722)	
Intergovernmental	5,152	
Total		(8,570)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	100,335	
Capital leases	51,909	
Lease purchase	10,696	
Total		162,940
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net position.		
		(204,206)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(109)	
Amortization of bond premiums	6,828	
Total		6,719
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		533,656
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(480,002)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences		(32,791)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>3,236,696</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,951,625	\$ 2,281,227	\$ 2,328,365	\$ 47,138
Income taxes. . . . .	1,039,395	1,214,934	1,273,772	58,838
Tuition. . . . .	489,699	572,402	600,123	27,721
Earnings on investments . . . . .	3,184	3,722	4,364	642
Classroom materials and fees . . . . .	24,801	28,990	30,394	1,404
Other local revenues . . . . .	15,867	18,547	19,445	898
Intergovernmental - state . . . . .	<u>2,634,251</u>	<u>3,079,139</u>	<u>3,224,871</u>	<u>145,732</u>
Total revenues . . . . .	<u>6,158,822</u>	<u>7,198,961</u>	<u>7,481,334</u>	<u>282,373</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,034,411	3,547,400	3,206,735	340,665
Special. . . . .	676,693	905,692	819,050	86,642
Vocational. . . . .	173,878	219,489	198,492	20,997
Support services:				
Pupil. . . . .	208,022	232,669	210,411	22,258
Instructional staff . . . . .	324,524	372,984	337,303	35,681
Board of education . . . . .	17,498	17,823	16,118	1,705
Administration. . . . .	579,834	719,159	650,362	68,797
Fiscal . . . . .	356,770	395,942	358,065	37,877
Business . . . . .	134	146	132	14
Operations and maintenance. . . . .	526,736	535,955	484,684	51,271
Pupil transportation . . . . .	443,108	411,272	371,928	39,344
Central. . . . .	807	1,162	1,051	111
Extracurricular activities. . . . .	159,135	201,389	182,123	19,266
Debt service:				
Principal . . . . .	181,573	55,660	50,335	5,325
Interest and fiscal charges. . . . .	40,896	42,999	38,886	4,113
Total expenditures . . . . .	<u>6,724,019</u>	<u>7,659,741</u>	<u>6,925,675</u>	<u>734,066</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(565,197)</u>	<u>(460,780)</u>	<u>555,659</u>	<u>1,016,439</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	-	(77,618)	(70,193)	7,425
Advances in. . . . .	<u>6,046</u>	<u>7,067</u>	<u>7,409</u>	<u>342</u>
Total other financing sources (uses) . . . . .	<u>6,046</u>	<u>(70,551)</u>	<u>(62,784)</u>	<u>7,767</u>
Net change in fund balance . . . . .	(559,151)	(531,331)	492,875	1,024,206
<b>Fund balance (deficit) at beginning of year .</b>	(153,045)	(153,045)	(153,045)	-
<b>Prior year encumbrances appropriated . .</b>	11,070	11,070	11,070	-
<b>Fund balance (deficit) at end of year . . .</b>	<u>\$ (701,126)</u>	<u>\$ (673,306)</u>	<u>\$ 350,900</u>	<u>\$ 1,024,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 84,357	\$ 46,979
Cash and investments in segregated accounts. . . . .	84,243	-
Investments . . . . .	10,049	-
Receivables:		
Accrued interest. . . . .	2	-
Total assets. . . . .	178,651	\$ 46,979
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 46,979
Total liabilities . . . . .	-	\$ 46,979
<b>Net position:</b>		
Held in trust for scholarships . . . . .	178,651	
Total net position. . . . .	\$ 178,651	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,544
Gifts and contributions. . . . .	6,649
Total additions. . . . .	8,193
 <b>Deductions:</b>	
Scholarships awarded . . . . .	33,190
Change in net position . . . . .	(24,997)
<b>Net position at beginning of year. . . . .</b>	<b>203,648</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 178,651</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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 Sections 2 and 3, Article 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 District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates one elementary school and one comprehensive high school. The District employs 30 non-certified and 53 certified employees to provide services to 609 students in grades K through 12 and various community groups.

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

The basic financial statements 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's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of various 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. During fiscal year 2016, the District paid \$15,169 to 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 nonvoting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 1210 E. Bogart Road, Sandusky, Ohio 44870.

EHOVE Career Center (Center)

The 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 Center 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 various school districts. NOECA 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. During fiscal year 2016, the District paid \$25,732 to NOECA. 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 North Point Educational Service Center, who serves as fiscal agent, at 1210 E. Bogart Road, Sandusky, Ohio 44870.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*RELATED ORGANIZATION*

Monroeville Public Library

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

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by writing to Betty Schwiefert, who serves as fiscal officer, at 1210 E. Bogart Road, Sandusky, Ohio 44870.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and Ohio High School Athletic Association (OHSAA) events.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current 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 reconciliations 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 economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows 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. 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (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 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. On a modified accrual basis, revenue from nonexchange 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 as an advance, income taxes, interest, tuition, grants, student fees and rentals.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 District, See Note 14 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 14 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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 cost, such as depreciation and amortization, are not recognized in governmental funds.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2016 is as follows:

1. Prior to January 15, 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 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 July 1, 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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level 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. Although the legal level of budgetary control is established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the fiscal year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the fiscal year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations, if any, are legally enacted by the Board prior to June 30, 2016. There were two supplemental appropriation in fiscal year 2016. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all 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 basic financial statements.

During fiscal year 2016, the District invested in STAR Ohio. 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 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 2016, 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, the building fund (a nonmajor governmental fund), permanent improvement fund (a nonmajor governmental fund) and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$4,663, which includes \$4,106 assigned from other funds.

For presentation on the basic financial statements, 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 District's investment account at year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to 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.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position. The District had no interfund balances at June 30, 2016.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, 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 sick leave on employees expected to become eligible to retire in the future, all employees age 60 or greater with 5 years of service, age 50 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 June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. 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 funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and the capital leases are recognized on the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. 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 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.

**P. Estimates**

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**Q. Interfund Activity**

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. 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 basic financial statements.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**S. Issuance Costs/Bond Premiums**

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position.

**T. Pensions**

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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District. GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Food service	\$ 6,344

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**C. Compliance**

The District was in noncompliance with Ohio Revised Code (ORC) section 5705.39 where appropriations exceeded certified resources in various funds.

The district was in noncompliance with Ohio Revised Code (ORC) section 5705.10 where the District failed to properly record tax receipts/personal property tax reimbursements.

Also, contrary to various Ohio Rev. Code provisions, the District did not retain source documentation for enrollment and excused absences.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS 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 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 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$2,150 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**B. Cash and Investments in Segregated Accounts**

At fiscal year-end, the District had \$84,243 in cash and investments deposited separately from the District's internal accounts that is held for the A.N. Fry Scholarship and Melvin Fisher Trust in the District's private purpose trust fund. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash and investments in segregated accounts".

**C. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$135,655. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, the District's entire bank balance of \$175,323, including a STAR Ohio Plus account, was covered by the FDIC.

**D. Investments**

As of June 30, 2016, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 867,837</u>	<u>\$ 867,837</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

*Concentration of Credit Risk:* The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 867,837	100.00

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 135,655
Cash and investments in segregated accounts	84,243
Investments	867,837
Cash on hand	<u>2,150</u>
Total	<u>\$ 1,089,885</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 864,257
Private purpose trust	178,651
Agency funds	<u>46,979</u>
Total	<u>\$ 1,089,887</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - INTERFUND TRANSACTIONS**

Transfers for the fiscal year ended June 30, 2016, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 67,515</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron County and Erie County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$421,536 in the general fund, \$39,038 in the bond retirement fund and \$11,592 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$348,440 in the general fund, \$38,367 in the bond retirement fund and \$12,929 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,809,860	96.93	\$ 101,262,630	97.08
Public utility personal	<u>2,745,560</u>	<u>3.07</u>	<u>3,046,660</u>	<u>2.92</u>
Total	<u>\$ 89,555,420</u>	<u>100.00</u>	<u>\$ 104,309,290</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$35.00		\$39.50	

**NOTE 7 - INCOME TAX**

The District has authorized, through voter approval, an annual 1.5 percent school district income tax levied on the income of individuals and estates on a continual basis. The tax is to be used for normal operating expenses of the District and is credited to the general fund. The income tax revenue credited to the general fund during fiscal year 2016 was \$1,265,610.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), intergovernmental 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.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 3,005,681
Income taxes	457,102
Accounts receivable	52
Accrued interest	845
Intergovernmental	<u>4,966</u>
 Total	 <u>\$ 3,468,646</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 302,965	\$ -	\$ -	\$ 302,965
Total capital assets, not being depreciated	<u>302,965</u>	<u>-</u>	<u>-</u>	<u>302,965</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	202,823	69,875	-	272,698
Buildings and improvements	6,741,469	2,800,000	-	9,541,469
Furniture, fixtures and equipment	1,779,347	121,193	(19,830)	1,880,710
Vehicles	<u>832,031</u>	<u>-</u>	<u>-</u>	<u>832,031</u>
Total capital assets, being depreciated	<u>9,555,670</u>	<u>2,991,068</u>	<u>(19,830)</u>	<u>12,526,908</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(176,808)	(5,269)	-	(182,077)
Buildings and improvements	(1,902,982)	(160,698)	-	(2,063,680)
Furniture, fixtures and equipment	(1,614,821)	(55,499)	18,834	(1,651,486)
Vehicles	<u>(502,288)</u>	<u>(49,242)</u>	<u>-</u>	<u>(551,530)</u>
Total accumulated depreciation	<u>(4,196,899)</u>	<u>(270,708)</u>	<u>18,834</u>	<u>(4,448,773)</u>
Governmental activities capital assets, net	<u>\$ 5,661,736</u>	<u>\$ 2,720,360</u>	<u>\$ (996)</u>	<u>\$ 8,381,100</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 136,388
Special	10,868
Vocational	334
<u>Support services:</u>	
Pupil	140
Instructional staff	544
Board of Education	28
Administration	7,280
Fiscal	462
Business	157
Operations and maintenance	28,401
Pupil transportation	51,266
Non-instructional	396
Food service operation	4,697
Extracurricular	<u>29,747</u>
Total depreciation expense	<u>\$ 270,708</u>

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During the current and prior fiscal years, the District entered into capitalized leases for buses and computers. These lease agreements met the criteria of a capital lease as defined by GAAP, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The capital lease transaction was accounted for as an instructional staff expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balance of governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

Capital assets consisting of buses have been capitalized in the amount of \$527,654. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2016 totaled \$51,909 paid by the general fund.

Computer equipment in the amount of \$134,331 has not been capitalized since the assets do not meet the District's capitalization threshold. A liability of \$134,331 at June 30, 2016 has been recorded in the government-wide financial statements.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE – (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 66,120
2018	66,120
2019	<u>66,118</u>
Total minimum lease payments	198,358
Less: amount representing interest	<u>(11,039)</u>
Present value of minimum lease payments	<u>\$ 187,319</u>

**NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

During fiscal year 2016, the District entered into a lease-purchase agreement with Capital Government Corporation. This lease meets the criteria of a lease-purchase as defined by GAAP, which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. This lease was used to acquire stadium lighting equipment. At June 30, 2016, capital assets acquired by lease purchase have been capitalized under buildings and improvements in the amount of \$69,875. Accumulated depreciation of \$1,747 has been booked as of June 30, 2016 leaving a book value of \$68,128. Lease-purchase payments have been reflected as debt service expenditures from the permanent improvement fund (a nonmajor governmental fund). Principal and interest payments totaled \$10,696 and \$427, respectively.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2016.

<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2017	\$ 11,124
2018	11,123
2019	11,123
2020	11,124
2021	11,123
2022	<u>11,124</u>
Total minimum lease payments	66,741
Less: amount representing interest	<u>(7,562)</u>
Present value of minimum lease payments	<u>\$ 59,179</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS**

During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Qualified school construction bonds	\$ 578,660	\$ -	\$ (50,335)	\$ 528,325	\$ 50,335
General obligation bonds, Series 2013	4,005,000	-	(50,000)	3,955,000	55,000
Capital leases	104,897	134,331	(51,909)	187,319	63,775
Lease-purchase agreement	-	69,875	(10,696)	59,179	9,024
Net pension liability	8,331,997	1,159,226	-	9,491,223	-
Compensated absences	<u>267,304</u>	<u>37,596</u>	<u>(37,917)</u>	<u>266,983</u>	<u>35,094</u>
Total long-term obligations, governmental activities	<u>\$ 13,287,858</u>	<u>\$ 1,401,028</u>	<u>\$ (200,857)</u>	14,488,029	<u>\$ 213,228</u>
Add: Unamortized premiums				<u>207,743</u>	
Total on statement of net position				<u>\$ 14,695,772</u>	

Compensated absences will be paid from the funds which the employees are paid, which for the District, is the general fund and the food service fund (a nonmajor governmental fund).

See Note 10 for detail on the District's capital lease obligations.

See Note 11 for detail on the District's lease-purchase agreement.

Net Pension Liability: See Note 15 for detail on the net pension liability.

Qualified School Construction Bonds - On October 28, 2010, the District issued \$770,000 in general obligation bonds which are comprised of serial bonds. The bonds bear an annual interest rate of 6.82 percent and the bonds mature February 1, 2026. These bonds consisted of Qualified School Construction Bonds (QSCBs). The QSCBs were authorized by the federal government through the American Recovery and Reinvestment Act (ARRA). These bonds were issued as tax credit bonds under which the bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The QSCBs were issued for the purpose of improving the energy efficiency of District buildings and are being retired from the general fund.

General Obligation Bonds, Series 2013 - During fiscal year 2013, the District issued \$4,195,000 in general obligation bonds to provide funds for various District building projects. The bonds interest rate ranges from 1.0% - 5.0% and mature December 1, 2046. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	<u>Qualified School Construction Bonds</u>			Fiscal Year Ending June 30,	<u>General Obligation Bonds, Series 2013</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,335	\$ 36,032	\$ 86,367	2017	\$ 55,000	\$ 168,190	\$ 223,190
2018	50,335	32,599	82,934	2018	55,000	167,365	222,365
2019	51,335	29,166	80,501	2019	60,000	166,265	226,265
2020	52,335	25,665	78,000	2020	65,000	165,065	230,065
2021	52,335	22,096	74,431	2021	65,000	163,763	228,763
2022 - 2026	<u>271,650</u>	<u>56,260</u>	<u>327,910</u>	2022 - 2026	385,000	793,710	1,178,710
Total	<u>\$ 528,325</u>	<u>\$ 201,818</u>	<u>\$ 730,143</u>	2027 - 2031	490,000	728,645	1,218,645
				2032 - 2036	660,000	613,475	1,273,475
				2037 - 2041	825,000	449,200	1,274,200
				2042 - 2046	1,050,000	223,750	1,273,750
				2047	<u>245,000</u>	<u>12,250</u>	<u>257,250</u>
				Total	<u>\$ 3,955,000</u>	<u>\$ 3,651,678</u>	<u>\$ 7,606,678</u>

**Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016 are a voted debt margin of \$5,144,184 (including available funds of \$239,673) and an unvoted debt margin of \$104,309.

**NOTE 13 - EMPLOYEE BENEFITS**

Certain full-time employees that work year round, are eligible for paid vacation days which must be used by the end of their contract the following year. Employees may carry over five unused vacation days; however, they must be used by June 30 of the following year. Employees are entitled to a number of weeks of vacation based on their length of employment with the District. Employees with less than 10 years are entitled to two weeks, employees who have worked between ten and twenty years are entitled to three weeks and employees with twenty or more years are entitled to four weeks of paid vacation.

Full-time employees earn one and a quarter (1 ¼) days of sick leave per month, credited at the end of the month for all employees. The sick leave is cumulative for all employees who were actively employee or on approved leave the 1997-1998 school year.

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

A part-time employee will have his or her accumulative sick leave prorated and brought forward.

Employees hired for the 1998-1999 school year and thereafter are permitted to accumulate up to two hundred and sixty five (265) days of sick leave. Employees hired prior to the 1998-1999 school year are not permitted to accumulate more sick leave than the employee had accumulated, but not used, as of June 30, 2007.

Any employee of the District who has five or more years of current, consecutive years of service in the District and ten or more years of public service at the time of retirement or death is eligible to be paid in cash (or to estate) for a total of one-fourth (1/4) of the accrued unused sick leave to a maximum of sixty-six and a quarter (66 ¼) days.

**NOTE 14 - 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 Ohio School Plan 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 not been a significant reduction in insurance coverage from the prior year.

**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 and dental 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 North Point Educational Service Center, 1210 E. Bogart Road, Sandusky, Ohio 44870.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

**C. Workers' Compensation Plan**

For fiscal year 2016, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - 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 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.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the 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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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.

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 year 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$118,865 for fiscal year 2016. Of this amount, \$14,618 is reported as pension and postemployment benefits payable.

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

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement 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).

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 will be 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$414,791 for fiscal year 2016. Of this amount, \$68,872 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.02762400%	0.02850730%	
Proportion of the net pension liability current measurement date	<u>0.02991180%</u>	<u>0.02816661%</u>	
Change in proportionate share	<u>0.00228780%</u>	<u>-0.00034069%</u>	
Proportionate share of the net pension liability	\$ 1,706,796	\$ 7,784,427	\$ 9,491,223
Pension expense	\$ 140,374	\$ 339,628	\$ 480,002

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 26,776	\$ 355,469	\$ 382,245
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	87,749	-	87,749
District contributions subsequent to the measurement date	<u>118,865</u>	<u>414,791</u>	<u>533,656</u>
Total deferred outflows of resources	<u>\$ 233,390</u>	<u>\$ 770,260</u>	<u>\$ 1,003,650</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 42,458	\$ 571,345	\$ 613,803
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	<u>-</u>	<u>77,922</u>	<u>77,922</u>
Total deferred inflows of resources	<u>\$ 42,458</u>	<u>\$ 649,267</u>	<u>\$ 691,725</u>

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$533,656 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ 11,918	\$ (149,452)	\$ (137,534)
2018	11,918	(149,452)	(137,534)
2019	11,916	(149,455)	(137,539)
2020	36,315	154,561	190,876
Total	\$ 72,067	\$ (293,798)	\$ (221,731)

***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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. 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 (7.75 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 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 7.75 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 (6.75 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%)
District's proportionate share of the net pension liability	\$ 2,366,713	\$ 1,706,796	\$ 1,151,092

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Changes between measurement date and report date:* In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
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.

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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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 from future plan members, are not included. 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, 2015. 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, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the 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 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%)
District's proportionate share of the net pension liability	\$ 10,813,156	\$ 7,784,427	\$ 5,223,185

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The 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. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The 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.

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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

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**NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$14,431.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$14,431, \$19,279, and \$14,469, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$30,952, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 492,875
Net adjustment for revenue accruals	147,955
Net adjustment for expenditure accruals	(117,211)
Net adjustment for other sources/uses	129,600
Funds budgeted elsewhere	(2,562)
Adjustment for encumbrances	17,287
GAAP basis	\$ 667,944

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund and unclaimed funds.

**NOTE 18 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 – CONTINGENCIES – (Continued)**

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 19 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	115,604
Current year offsets	(81,953)
Prior year offset from bond proceeds	<u>(33,651)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2013 the District issued \$4,195,000 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$4,161,349 at June 30, 2016.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 20 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 15,165
Nonmajor governmental funds	<u>21,039</u>
Total	<u>\$ 36,204</u>

**NOTE 21 – SUBSEQUENT EVENTS**

On September 29, 2016, the District issued Refunding Bonds, Series 2016 in the amount of \$3,775,000 to refund the Series 2013 Bonds. The bonds carry an interest rate of 4.67% and have a final maturity date of December 1, 2046.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.02991180%	0.02762400%	0.02762400%
District's proportionate share of the net pension liability	\$ 1,706,796	\$ 1,398,035	\$ 1,642,711
District's covered-employee payroll	\$ 900,501	\$ 802,691	\$ 850,361
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	193.18%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.02816661%	0.02850730%	0.02850730%
District's proportionate share of the net pension liability	\$ 7,784,427	\$ 6,933,962	\$ 8,259,690
District's covered-employee payroll	\$ 2,938,714	\$ 2,912,654	\$ 3,052,269
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	270.61%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 118,865	\$ 118,686	\$ 111,253	\$ 117,690
Contributions in relation to the contractually required contribution	<u>(118,865)</u>	<u>(118,686)</u>	<u>(111,253)</u>	<u>(117,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 849,036	\$ 900,501	\$ 802,691	\$ 850,361
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 108,184	\$ 112,362	\$ 108,781	\$ 80,783	\$ 80,459	\$ 84,311
<u>(108,184)</u>	<u>(112,362)</u>	<u>(108,781)</u>	<u>(80,783)</u>	<u>(80,459)</u>	<u>(84,311)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 804,342	\$ 893,890	\$ 803,405	\$ 820,965	\$ 819,338	\$ 789,429
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 414,791	\$ 411,420	\$ 378,645	\$ 396,795
Contributions in relation to the contractually required contribution	<u>(414,791)</u>	<u>(411,420)</u>	<u>(378,645)</u>	<u>(396,795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,962,793	\$ 2,938,714	\$ 2,912,654	\$ 3,052,269
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 398,686	\$ 402,416	\$ 408,871	\$ 400,099	\$ 383,999	\$ 386,748
<u>(398,686)</u>	<u>(402,416)</u>	<u>(408,871)</u>	<u>(400,099)</u>	<u>(383,999)</u>	<u>(386,748)</u>
<u>\$ -</u>					
\$ 3,066,815	\$ 3,095,508	\$ 3,145,162	\$ 3,077,685	\$ 2,953,838	\$ 2,974,985
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.



# 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

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

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 Monroeville Local School District, Huron County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 6, 2017.

### ***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 opinions 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2016-001 through 2016-003.

***Entity'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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 6, 2017

MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2016

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

FINDING NUMBER 2016-001

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(C)** provides that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

Additionally, **Ohio Rev. Code § 5705.10(D)** provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Treasurer posted property tax and/or property tax advances and tangible personal property and deregulation reimbursement receipts to the incorrect funds. The following table illustrates the errors in posting by opinion unit and fund:

<u>Opinion Unit / Fund</u>	<u>Amount Adjusted</u>
<b>Major Funds:</b>	
General Fund	\$ (66,729)
Bond Retirement Fund	77,745
<b>Remaining Fund Information (RFI):</b>	
Permanent Improvement Fund	(11,016)

These errors were not identified and corrected prior to the District preparing its basic financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying basic financial statements and notes to the basic financial statements, and where applicable, the District's accounting records, have been adjusted to reflect these changes. Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the basic financial statements and accompanying notes is complete and accurate.

To ensure the District's basic financial statements and notes to the basic financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions.

**Officials' Response:**

The Treasurer's office will implement a reconciliation process to ensure that all tax settlements and revenues are receipted correctly and properly recorded.

**FINDING NUMBER 2016-002**

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For the purposes of this section of the Ohio Rev. Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

The following funds had appropriations exceeding estimated resources at June 30, 2016:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 7,002,983	\$ 7,726,290	\$ (723,307)
Title I Fund	53,801	61,900	(8,099)

This instance of non-compliance was not detected due to errors in entering authorized appropriations to the District’s accounting system. The failure to limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Treasurer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

**Officials’ Response:**

The District is monitoring “estimated resources” to avoid exceeding appropriations. Expenditures and revenues are monitored on a continual basis.

**FINDING NUMBER 2016-003**

**Noncompliance**

**Ohio Rev. Code § 2151.011(22)** sets forth the provisions for a legitimate excused absence from a public school. **Ohio Rev. Code § 3317.031** requires school districts to maintain membership records; specifically, **§ 3317.031** provides that a membership record shall be kept by grade level in each city, local, exempted village, joint vocational, and cooperative education school district and such a record shall be kept by grade level in each educational service center that provides academic instruction to pupils, classes for pupils with disabilities, or any other direct instructional services to pupils. Such membership record shall show the following information for each pupil enrolled: Name, date of birth, name of parent, date entered school, date withdrawn from school, days present, days absent, and the number of days school was open for instruction while the pupil was enrolled. At the end of the school year this membership record shall show the total days present, the total days absent, and the total days due for all pupils in each grade. Such membership record shall show the pupils that are transported to and from school and it shall also show the pupils that are transported living within one mile of the school attended. This membership record shall also show any other information prescribed by the state board of education.

Ohio Rev. Code § 3317.031 further provides that this membership record shall be kept intact for at least five years and shall be made available to the state board of education or its representative in making an audit of the average daily membership or the transportation of the district or educational service center.

All excuses from parents, and other documents, regardless of format or condition, become official attendance records.

**FINDING NUMBER 2016-003  
(Continued)**

The District did not retain supporting documentation (i.e. call logs, doctor notes, parent notes, etc.) for excused elementary school absences. Instead, once the absence information was entered to the District's attendance system, supporting documentation was discarded.

The lack of documentation for excused absences prevents the determination as to whether or not an absence was excused in accordance with the provisions outlined above. The District should require and maintain documentation for all excused student absences. The documentation should be added to individual attendance records and retained for a period of at least five years, unless the District's retention schedule requires a longer retention period. Further, the District should destroy records only in accordance with its records retention schedule.

This matter will be referred to the Ohio Department of Education.

**Officials' Response:**

The District has implemented a process to retain documentation for student absences for a period of 5 years.

**FINDING NUMBER 2016-004**

**Material Weakness – Financial Reporting**

The District's management is responsible for the fair presentation of the basic financial statements. We identified the following errors requiring adjustment to the basic financial statements and/or notes to the basic financial statements for the fiscal year ended June 30, 2016:

- The District incorrectly reported its portion of a trust, resulting in Private Purpose Trust Fund cash and investments in segregated accounts and amounts held in trust for scholarships being overstated in the amount of \$17,102;
- Final General Fund budgeted receipts were increased in the amount of \$1,041,160 in order to bring amounts reported in the financial statements in line with authorized budget amounts; and
- Final General Fund budgeted expenditures were increased in the amount of \$740,183 in order to bring amounts reported in the financial statements in line with authorized budget amounts.

These errors were not identified and corrected prior to the District preparing its basic financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying basic financial statements and notes to the basic financial statements, and where applicable, the District's accounting records, have been adjusted to reflect these changes. Additional errors were noted in smaller relative amounts and included on the Summary of Unadjusted Differences. Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the basic financial statements and accompanying notes is complete and accurate.

To help ensure the District's basic financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions.

**FINDING NUMBER 2016-004  
(Continued)**

**Officials' Response:**

The District corrected the trust account to be properly reflected in the financial statements.

The District continues to monitor revenues and expenditures to ensure the amounts reported are in line with the authorized budget amounts.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Ohio Rev. Code § 5705.40 for the failure to properly approve and record appropriations.	Not corrected and reissued as part of Finding 2016-004 in this report.	This error reoccurred due to lack of oversight in posting authorized budget amounts to the accounting system. Also see Officials' Response in Finding 2016-004.
2015-002	Ohio Rev. Code § 5705.41(B) for budgetary expenditures exceeding appropriations.	Partially corrected and reissued as a verbal comment.	Treasurer monitored compliance more closely. One insignificant instance of non-compliance noted at June 30, 2016 due to inadvertent oversight.
2015-003	Ohio Rev. Code § 5705.10 for negative fund balances.	Partially corrected and reissued as part of the management letter.	Various negative fund balances were noted during the interim prior to June 30, 2016 due to the previously passed emergency levy monies not being distributed to the District until this fiscal year. However, no negative fund balances were present at June 30, 2016.

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# Dave Yost • Auditor of State

**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  
JUNE 22, 2017**