



**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual:	
General Fund	19
Emergency Levy Fund	20
Food Service Fund	21
Statement of Fiduciary Net Assets - Fiduciary Funds	22
Notes to the Basic Financial Statements	23
Report of Independent Accountants on Compliance and on Internal Control Required By Government Auditing Standards.	57
Schedule of Findings	59

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Monroe Local School District
Butler County
30 Overbrook Dr., Suite D
Monroe, OH 45050

We have audited the accompanying basic financial statements of the Monroe Local School District, Butler County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Local School District, Butler County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 33, 34, 36, 37, 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

March 4, 2002

This page intentionally left blank.

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

The management's discussion and analysis of Monroe Local School District's financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2001. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

The School District was organized in 2000 after splitting from the Middletown City School District. On September 14, 1999, the Ohio State Board of Education approved a resolution that allowed only residents living in the city limits of Monroe and portions of Lemon Townships to decide at the March 7, 2000 election whether to establish a separate Monroe Local School District. The ballot was approved and on April 12, 2000, the State Board of Education appointed, by resolution, the five-member Monroe Local School District Board of Education. The transfer of assets and liabilities was made to the Monroe Local School District on June 30, 2000. Fiscal year 2000 includes only two months of activity. There is no comparative data shown for that reason.

Financial Highlights

Key financial highlights for 2001 are as follows:

- ✓ Assets, excluding capital assets, exceeded total liabilities at the close of the most recent fiscal year by \$6.55 million. Of this amount, \$6.22 million is unrestricted for the School District's discretionary use.
- ✓ General revenues accounted for \$16.34 million in revenue or 94.66 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$.92 million or 5.34 percent of \$17.27 million in total revenues.
- ✓ At the end of the current fiscal year, cash and cash equivalents of \$7.12 million accounted for 52.17 percent of total net assets, excluding capital assets.
- ✓ The School District had \$12.27 million in expenses relating to governmental activities; only \$.92 million of these expenses were offset by program specific revenues. \$16.34 million in general revenues were adequate to cover the cost of these programs.
- ✓ Among major funds, the general fund had \$13.92 million in revenues and \$10.41 in expenditures. The general fund's balance at the close of the current year was 44.12 percent of the current year's expenditures.

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund, emergency levy fund and food service fund, which are considered major funds. Data from the other twenty-three governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-59 of this report.

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2001.

Table 1
Net Assets
(in Millions)

	2001
Assets	
Current and Other Assets	\$13.65
Capital Assets	1.13
<i>Total Assets</i>	<i>14.78</i>
Liabilities	
Long-term Liabilities	(0.59)
Other Liabilities	(6.50)
<i>Total Liabilities</i>	<i>(7.09)</i>
Net Assets	
Invested in Capital Assets	1.13
Restricted for:	
Grants	0.09
Capital Improvements	0.24
Unrestricted	6.23
<i>Total Net Assets</i>	<i>\$7.69</i>

By looking at several key bench marking statistics, the School District would rank very high among smaller districts throughout the State. The revenue per student is \$11,778 for the fiscal year. This ratio suggests the School District has adequate annual resources. The total revenue as a percentage of total expenses is 141%. This ratio shows the School District's operating position in a fiscally strong state. The School District's ending net assets as a percentage of total revenues shows the ability to overcome a temporary deficit if necessary.

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

Graph 1 breaks down the School District's revenues into percentages, while Table 2 shows total revenues and revenue per pupil for fiscal year 2001. Since the School District was formed on April 12, 2000, revenue and expense comparisons are not available for the prior year.

Graph 1
Changes in Net Assets

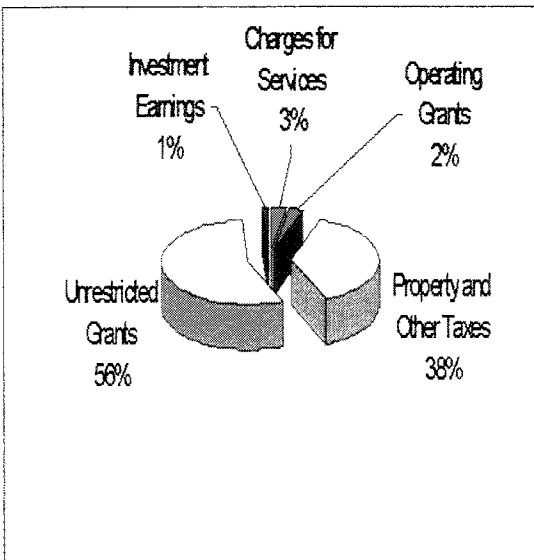


Table 2
Total Revenues/Revenue per Pupil
(in Millions for Total Revenue)

	<u>Total Revenue</u>	<u>Revenue per Pupil</u>
Revenues		
<i>Program Revenues</i>		
Charges for Services	\$0.49	\$332
Operating Grants	0.43	297
<i>General Revenues</i>		
Property and Other Taxes	6.58	4,489
Unrestricted Grants	9.53	6,499
Investment Earnings	0.19	127
Other	0.05	34
Total Revenues	<u><u>\$17.27</u></u>	<u><u>\$11,778</u></u>

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

Table 3 shows total program expenses and cost per pupil.

Table 3
Total Program Expense/Cost per Pupil
(in millions for Total Program Expense)

	<u>Program Expense</u>	<u>Cost per Pupil</u>
Program Expenses		
<i>Instruction</i>		
Regular	\$5.41	\$3,696
Special	0.49	335
Vocational	0.01	10
<i>Support Services:</i>		
Pupil	0.27	186
Instructional Staff	0.30	207
Board of Education	0.03	20
Administration	2.13	1,453
Fiscal	0.32	221
Business	0.05	31
Operation and Maintenance of Plant	1.38	939
Pupil Transportation	0.83	564
Central	0.06	38
Operation on Non-Instructional Services	0.03	18
Food Services	0.50	338
Extracurricular Activities	0.45	308
Interest and Fiscal Charges	0.01	4
Total Expenses	<u>12.27</u>	<u>\$8,368</u>

Capital Assets

At the end of the fiscal year, the School District had \$1,134,589 invested in land, buildings, equipment and vehicles less accumulated depreciation. Table 4 shows the breakdown of the individual classes for capital assets:

**Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)**

*Table 4
Capital Assets*

Class	Historical Cost	Accumulated Depreciation	Book Value
Land	\$311,529	\$0	\$311,529
Buildings and Improvements	3,866,330	3,583,610	282,720
Furniture and Equipment	1,590,569	1,122,139	468,430
Vehicles	408,923	337,013	71,910
Totals	<u>\$6,177,351</u>	<u>\$5,042,762</u>	<u>\$1,134,589</u>

Governmental Activities

Despite having a strong base in net assets, the School District received a sizeable school foundation allocation in connection with the separation from Middletown School District. This revenue source will not be available after the 2002 fiscal year. In May 2001, voters approved a 4.35 mill operating levy and the District expects no operating deficits in the next five years.

The Major Funds

The School District's major funds start on page 17. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the District. The major funds account for 97.13% of the \$17.27 million in total revenue and 93.61% percent of the \$12.27 million in total expenses. The general fund and emergency levy fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund and emergency levy creating a year end fund balance of \$4.59 million and \$2.23 million, respectively.

The general fund recognized \$1.03 million in current liabilities for fiscal year 2001. Accrued salaries and benefits accounted for 61.88% of those liabilities. The emergency levy fund had a large taxes receivable compared to current liabilities since the School District had two emergency levies that are effective through the next fiscal year.

Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)

The other major fund for the School District is the food service fund. The School District decided to classify the food service as a major fund even though it did not meet the classification requirements due to future consistency and the desire to report such activity in a separate fashion. The fund operated at a deficit for the fiscal year. The School District is analyzing charges for services to insure they adequately cover the administration and contractual services provided by the School District.

General Fund Budgetary

Graph 2 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2001. There was a large increase in all areas for the School District from the original budget to the final budget for fiscal year 2001. The School District was created on April 12, 2000 by the State Board of Education pursuant to Ohio Revised Code Section 3311.37. The School District had no reference to historical trends when passing the original budget regarding school foundation allocations or property tax revenues to be received.

Graph 2
Original Budget versus Final Budget for General Fund Revenues

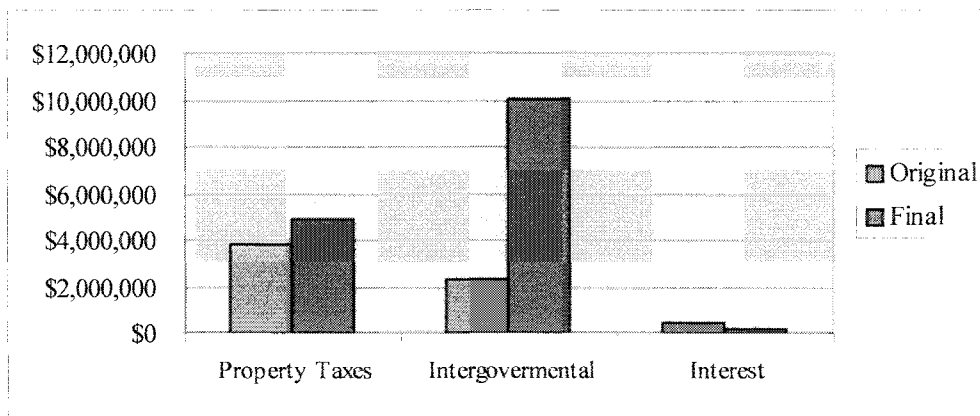


Table 3 examines the major changes from the original to the final general fund expenditures budget for the fiscal year ended June 30, 2001. The School District was in the process of ‘hiring’ both certified and non-certified employees from the former combined school district as part of the State Board of Education resolution. The School District also had very little experience with the necessary operational costs the new School District would incur.

**Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)**

*Table 3
Original to Final Budget for Expenditures
(In Millions)*

	Increase
Regular Instruction	\$2.31
Support Services:	
Instructional Staff	0.23
Administration	1.23
Operation and Maintenance of Plant	0.71
Pupil Transportation	0.76
Extracurricular Activities	0.20
Capital Outlay	0.59

The District had several variances between the final general fund budget and actual revenue and expenditures. The School District was not completely aware of how the split with Middletown School District would effect property taxes; therefore, the School District had budgeted more property tax receipts into the general fund when the receipts were actually received in the emergency levy fund.

The School District had anticipated receiving an STRS refund before year end but the revenue was not received until the middle of July 2001 contributed \$281,298 to the difference in intergovernmental revenue with the remainder of the difference being accounted for the School District receiving more State Foundation monies than expected. The only difference in the expenditures that can be considered material is the business support service being \$19,768 greater than the final budget. The School District had some expenditures at the end of the year that were not anticipated.

Debt Administration

The School District had no debt outstanding at June 30, 2001. The District neither issued nor retired any debt during the fiscal year. The District's overall legal debt margin was \$19,260,000 with an unvoted debt margin of \$214,000.

**Monroe Local School District
Butler County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
(unaudited)**

Other items impacting the financial strength of the School District

The School District should see continued economic growth over the next year as the City's new interstate corridor project develops. The business growth in the areas surrounding Interstate 75 and State Route 63 will increase the School District's assessed value and allow for the School District to continue to improve existing school facilities and broaden the services.



Request for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Monroe Local Schools, 30 Overbrook Drive, Suite D, Monroe, Ohio 45050.

Treasurer
Monroe Local School District

Monroe Local School District
Butler County, Ohio
Statement of Net Assets
June 30, 2001

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,878,563
Receivables:	
Property and Other Taxes	6,162,239
Accounts	2,719
Accrued Interest	10,920
Intergovernmental	340,752
Prepaid Items	2,256
Materials and Supplies Inventory	1,365
Inventory Held for Resale	7,934
Restricted Assets:	
Cash and Cash Equivalents	242,541
Capital Assets (net of accumulated depreciation):	
Land	311,529
Buildings and Improvements	282,720
Furniture and Equipment	468,430
Vehicles	71,910
Total Assets	14,783,878
 <u>Liabilities</u>	
Payables:	
Accounts	219,031
Contracts	222,231
Intergovernmental	179,012
Salaries and Employee Benefits	644,081
Deferred Revenue	5,233,566
Noncurrent Liabilities:	
Due within one year	132,985
Due in more than one year	462,443
Total Liabilities	7,093,349
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	1,134,589
Restricted for:	
Grants	90,582
Capital Improvements	242,541
Unrestricted	6,222,817
Total Net Assets	\$7,690,529

See accompanying notes to the basic financial statements

**Monroe Local School District
Butler County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2001**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$5,416,205	\$3,347	\$182,397	(\$5,230,461)
Special	491,787	2,514	95,349	(393,924)
Vocational	14,274	0	0	(14,274)
Support Services:				
Pupils	272,452	4,144	21,942	(246,366)
Instructional Staff	303,573	0	14,168	(289,405)
Board of Education	29,696	0	0	(29,696)
Administration	2,129,566	0	504	(2,129,062)
Fiscal	323,677	0	0	(323,677)
Business	46,061	0	0	(46,061)
Operation and Maintenance of Plant	1,377,148	0	0	(1,377,148)
Pupil Transportation	826,485	467	0	(826,018)
Central	56,362	0	8,701	(47,661)
Operation of Non-Instructional Services	26,859	200	52,052	25,393
Food Service	495,290	368,069	59,942	(67,279)
Extracurricular Activities	451,839	107,665	0	(344,174)
Interest and Fiscal Charges	5,500	0	0	(5,500)
Total	\$12,266,774	\$486,406	\$435,055	(\$11,345,313)

General Revenues:

Property and Other Taxes	\$6,581,007
Grants and Contributions not restricted to specific programs	9,527,201
Unrestricted investment earnings	186,759
Miscellaneous	49,879
Total General Revenues	16,344,846
Changes in Net Assets	4,999,533
Net Assets-Beginning (Restated See Note 22)	2,690,996
Net Assets-Ending	\$7,690,529

See accompanying notes to the basic financial statements

Monroe Local School District
Butler County, Ohio
Balance Sheet - Governmental Funds
June 30, 2001

	General	Emergency Levy	Food Service	Other Governmental Funds	Total Governmental Funds
<u>Assets and Other Debits</u>					
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,355,181	\$2,163,594	\$6,350	\$353,439	\$6,878,564
Receivables:					
Property and Other Taxes	3,872,534	2,289,705	0	0	6,162,239
Accounts	1,314	0	200	1,205	2,719
Interfund	472	697	0	0	1,169
Accrued Interest	10,920	0	0	0	10,920
Intergovernmental	314,199	26,231	0	321	340,751
Prepaid Items	2,256	0	0	0	2,256
Materials and Supplies Inventory	0	0	1,365	0	1,365
Restricted Assets:					
Cash and Cash Equivalents	242,541	0	0	0	242,541
Total Assets	\$8,799,417	\$4,480,227	\$7,915	\$354,965	\$13,642,524
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Payables:					
Accounts	\$68,377	\$122,663	\$0	\$27,991	\$219,031
Contracts	195,606	0	26,625	0	222,231
Due to Local Governments	111,346	8,313	1,224	1,585	122,468
Salaries and Employee Benefits	639,228	55,707	1,532	4,156	700,623
Interfund	0	0	0	1,169	1,169
Compensated Absences	18,479	0	25	0	18,504
Deferred Revenue	3,171,779	2,061,787	0	1,205	5,234,771
Total Liabilities	4,204,815	2,248,470	29,406	36,106	6,518,797
<u>Fund Balances:</u>					
Reserved for:					
Encumbrances	156,944	571	27,381	2,890	187,786
Property Taxes	680,000	221,000	0	0	901,000
Capital Improvements	242,541	0	0	0	242,541
Unreserved, reported in					
General	3,515,117	0	0	0	3,515,117
Special Revenue (Deficit)	0	2,010,186	(48,872)	139,148	2,100,462
Capital Projects	0	0	0	176,821	176,821
Total Fund Balances (Deficit)	4,594,602	2,231,757	(21,491)	318,859	7,123,727
Total Liabilities and Fund Balances	\$8,799,417	\$4,480,227	\$7,915	\$354,965	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,134,589
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	9,139
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(576,926)</u>
Net assets of governmental activities	<u>\$7,690,529</u>

See accompanying notes to the basic financial statements

Monroe Local School District
Butler County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2001

	General	Emergency Levy	Food Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$4,361,370	\$2,219,637	\$0	\$0	\$6,581,007
Intergovernmental	9,358,739	207,223	59,942	263,570	9,889,474
Charges for Services	0	0	366,444	0	366,444
Tuition and Fees	6,328	0	0	0	6,328
Interest	186,759	0	0	0	186,759
Gifts and Donations	0	0	0	50,158	50,158
Extracurricular Activities	25	0	200	107,566	107,791
Miscellaneous	3,918	0	0	48,973	52,891
Total Revenues	13,917,139	2,426,860	426,586	470,267	17,240,852
Expenditures:					
Current:					
Instruction:					
Regular	4,662,180	48,877	0	70,543	4,781,600
Special	86,394	327,430	0	44,220	458,044
Vocational	0	14,274	0	0	14,274
Support Services:					
Pupils	224,369	0	0	23,466	247,835
Instructional Staff	229,242	43,605	0	16,047	288,894
Board of Education	29,144	0	0	0	29,144
Administration	1,795,233	58,825	0	0	1,854,058
Fiscal	299,243	0	0	27	299,270
Business	44,903	1,158	0	0	46,061
Operation and Maintenance of Plant	1,321,619	0	0	0	1,321,619
Pupil Transportation	772,940	0	0	0	772,940
Central	51,362	0	0	5,000	56,362
Operation of Non-Instructional Services	0	3,014	447,957	23,845	474,816
Extracurricular Activities	284,912	0	0	151,980	436,892
Capital Outlay	592,100	124,991	0	0	717,091
Debt Service:					
Principal Retirement	13,770	0	0	0	13,770
Interest and Fiscal Charges	5,500	0	0	0	5,500
Total Expenditures	10,412,911	622,174	447,957	335,128	11,818,170
Excess (deficiency) of Revenues Over (Under) Expenditures	3,504,228	1,804,686	(21,371)	135,139	5,422,682
Other Financing Sources					
Capital Lease	138,701	0	0	0	138,701
Net Change in Fund Balances	3,642,929	1,804,686	(21,371)	135,139	5,561,383
Fund Balances (Deficit) - beginning	951,673	427,071	(120)	183,720	1,562,444
Fund Balances (Deficit) - ending	<u>\$4,594,602</u>	<u>\$2,231,757</u>	<u>(\$21,491)</u>	<u>\$318,859</u>	<u>\$4,999,533</u>

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

Net Change in Fund Balances - total governmental funds

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 5,937

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 9,139

Repayment of long-term obligations is reported as an expenditure in governmental funds, the the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is: 13,770

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (590,696)

Change in net assets of governmental activities \$4,999,533

See accompanying notes to the basic financial statements

Monroe Local School District
Butler County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2001

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$3,810,236	\$4,883,284	\$3,991,058	(\$892,226)
Intergovernmental	2,350,031	10,071,716	9,698,760	(372,956)
Tuition and Fees	16,005	5,495	5,495	0
Interest	432,408	148,298	148,298	0
Extracurricular Activities	92	25	25	0
Miscellaneous	11,406	3,918	3,918	0
Total Revenues	6,620,178	15,112,736	13,847,554	(1,265,182)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,990,038	4,294,998	4,294,949	49
Special	586	84,795	84,795	0
Support Services:				
Pupils	229,739	210,584	210,562	22
Instructional Staff	4,185	230,137	230,137	0
Board of Education	0	28,944	28,944	0
Administration	485,127	1,717,831	1,716,904	927
Fiscal	128,259	290,037	290,037	0
Business	0	25,135	44,903	(19,768)
Operation and Maintenance of Plant	575,136	1,288,068	1,288,068	0
Pupil Transportation	15,592	777,761	777,761	0
Central	4,192	69,756	69,756	0
Extracurricular Activities	93,714	293,245	293,319	(74)
Capital Outlay	0	591,804	591,804	0
Total Expenditures	3,526,568	9,903,095	9,921,939	(18,844)
Net Change in Fund Balance	3,093,610	5,209,641	3,925,615	(1,284,026)
Fund Balances at Beginning of Year	0	148,165	148,165	0
Prior Year Encumbrances Appropriated	0	201,835	201,835	0
Fund Balances at End of Year	\$3,093,610	\$5,559,641	\$4,275,615	(\$1,284,026)

See accompanying notes to the basic financial statements

Monroe Local School District
Butler County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Emergency Levy Fund
For the Fiscal Year Ended June 30, 2001

	Emergency Levy Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$1,826,938	\$1,175,948	\$2,195,197	\$1,019,249
Intergovernmental	12,200	405,969	380,815	(25,154)
Miscellaneous	171,481	0	0	0
Total Revenues	2,010,619	1,581,917	2,576,012	994,095
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	17,244	45,900	45,900	0
Special	164,111	295,695	295,695	0
Vocational	0	14,140	14,140	0
Support Services:				
Instructional Staff	55,070	41,261	41,261	0
Administration	0	56,066	58,825	(2,759)
Business	0	1,158	1,158	0
Operation and Maintenance of Plant	88,162	0	0	0
Pupil Transportation	1,762	0	0	0
Operation of Non-Instructional Services	0	2,986	2,986	0
Capital Outlay	0	2,328	2,328	0
Total Expenditures	326,349	459,534	462,293	(2,759)
Excess of Revenues Over Expenditures	1,684,270	1,122,383	2,113,719	991,336
<u>Other Financing Uses</u>				
Advance Out	0	(12,923)	(697)	12,226
Net Change in Fund Balance	1,684,270	1,109,460	2,113,022	1,003,562
Fund Balances at Beginning of Year	0	50,000	50,000	0
Fund Balances at End of Year	\$1,684,270	\$1,159,460	\$2,163,022	\$1,003,562

See accompanying notes to the basic financial statements

Monroe Local School District
Butler County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Food Service Fund
For the Fiscal Year Ended June 30, 2001

	Food Service Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$59,151	\$59,942	\$59,942	\$0
Charges for Services	350,349	355,035	366,444	11,409
Total Revenues	<u>409,500</u>	<u>414,977</u>	<u>426,386</u>	<u>11,409</u>
<u>Expenditures:</u>				
Current:				
Operation of Non- Instructional Services	0	420,314	451,161	(30,847)
Excess of Revenues Over (Under) Expenditures	<u>409,500</u>	<u>(5,337)</u>	<u>(24,775)</u>	<u>(19,438)</u>
Net Change in Fund Balance	409,500	(5,337)	(24,775)	(19,438)
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u>\$409,500</u>	<u>(\$5,337)</u>	<u>(\$24,775)</u>	<u>(\$19,438)</u>

See accompanying notes to the basic financial statements

**Monroe Local School District
Butler County, Ohio
Statement of Fiduciary Net Assets -
Fiduciary Funds
June 30, 2001**

	<u>Student Activities Fund</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$11,780</u>
<u>Liabilities</u>	
Accounts Payable	553
Due to Students	<u>11,227</u>
Total Liabilities	<u>\$11,780</u>

See accompanying notes to the basic financial statements

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

Monroe Local School District (the "School District" or "District") was organized in 2000 after splitting from the Middletown City School District. On September 14, 1999, the Ohio State Board of Education approved a resolution that allowed only residents living in the city limits of Monroe and portions of Lemon Township to decide at the March 7, 2000 election whether to establish a separate Monroe Local School District. The ballot was approved and on April 12, 2000, the State Board of Education appointed, by resolution, the five-member Monroe Local School District Board of Education. The transfer of assets was made to the Monroe Local School District on June 30, 2000.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's three instructional support facilities staffed by approximately 92 non-certificated, 42 teaching personnel and 10 administrative employees providing education to approximately 1,466 students.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies

The School District is associated with four organizations of which two are defined as jointly governed organizations and two as insurance purchasing pools. These organizations are the Southwestern Ohio Computer Association (SWOCA), Butler County Joint Vocational School, Butler County Health Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 18 and 19.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

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. The District employs the use of two categories of funds: governmental and fiduciary.

Governmental Funds

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *emergency levy fund* accounts for the proceeds of an emergency operating levy originally passed in 1989 and has been renewed through 2005. It also includes the proceeds of the three-year emergency levy pass in 1995 and in effect through 2001.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

The *food service fund* accounts for the financial transaction related to food service operation. It accounts for all charges for services, state and federal grants and related food service expenditures.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The District maintains one fiduciary fund, an agency fund known as the Student Activities Fund. The fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions (although no such grants or contributions were received for the year ending June 30, 2001). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Tax Budget:

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer.

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. At year-end, the School District requested and received an amended certificate in which estimated revenues match actual revenues.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any level of control.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted and they were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

During fiscal year 2001, investments were limited to funds invested in a repurchase agreement and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, during fiscal year 2001 amounted to \$186,759, which includes \$22,640 assigned to other School District funds.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

E. Inventory and Prepaid Items

All inventories are values at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles and Equipment	5

The School District received capital assets with a historical cost of \$5,771,494 in the separation with Middletown City School District (see Notes 9). Accumulated depreciation of these assets acquired through the separation was \$4,806,033 resulting in a net value of \$971,461. Shown below is a breakdown of the capital assets acquired.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Class	Historical Cost	Accumulated Depreciation	Net Value
Land	\$311,529	\$0	\$311,529
Buildings and Improvements	3,783,043	3,575,080	207,963
Furniture and Equipment	1,273,999	926,411	347,588
Vehicles	408,923	304,542	104,381
Totals	<u>\$5,777,494</u>	<u>\$4,806,033</u>	<u>\$971,461</u>

G. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on sick leave accumulated by June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable that they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employee's wages rates at fiscal year end, taking into consideration any limits specified in union contracts.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees. The School District records a liability for accumulated unused sick leave for all employees after 15 years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid in the governmental fund balance sheet. The entire liability is reported on the governmental-wide statement of net assets.

H. Long-Term Obligations

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of capital leases, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be expected to be liquidated with expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources.

I. Restricted Assets

Restricted assets of \$242,541 are reported in both the statement of net assets and the General Fund in the governmental fund balance sheet. Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for capital acquisitions. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally separated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and capital improvements.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for capital improvements represents money required to be spent on capital improvements by statute.

K. Estimates

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

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

L. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchase funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

N. Interfund Balances

On fund financial statements, receivables and payables resulting from transaction-like activities between a government's various funds are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net assets.

O. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

P. Exchange/Non-Exchange Transactions

Revenues 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 School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property 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 8.) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Q. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$576,926 difference are as follows:

Capital Lease Payable	\$124,931
Long Term Pension Obligation	56,543
Compensated Absences	<u>395,452</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$576,926</u></u>

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of \$1,134,589 difference are as follows:

Capital Assets	\$6,177,351
Accumulated Depreciation	<u>(5,042,762)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$1,134,589</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” Details of this \$9,139 difference are as follows:

Extracurricular Fees	\$1,205
Inventory Revenues	<u>7,934</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$9,139</u></u>

Another element of that reconciliation states that “Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$590,696 are as follows:

Inception of Capital Lease	\$138,701
Principal paid on Capital Lease	(13,770)
Long Term SERS expenses	56,543
Increase in Compensated Absences	<u>395,452</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$590,696</u></u>

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Another element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$5,937 are as follows:

Current capital additions	\$261,156
Depreciation Expense	(255,219)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$5,937

Note 3 - Basic Financial Statement Presentation

For fiscal year 2001, the School District has implemented the following GASB Statements:

- GASB Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*”
- GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments.*”
- GASB Statement No. 36, “*Recipient Reporting for Certain Shared Nonexchange Revenues.*”
- GASB Statement No. 37, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus.*”
- GASB Statement No. 38, “*Certain Financial Statement Note Disclosures.*”
- GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*”

GASB Statements No. 34, No. 37, and No. 38 create and amend new basic financial statements and note disclosure for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 3 - Basic Financial Statement Presentation (continued)

GASB Statements No. 33 and No. 36 clarify the accounting treatment, timing requirements and recognition of assets, liabilities, revenues and expenditures/expenses associated with non-exchange transactions. The statements define a non-exchange transaction as one in which the government receives value without directly giving value in return.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 4 - Budgetary Basis of Accounting (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by major fund.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Major Funds

	General Fund	Emergency Levy Fund	Food Service Fund
GAAP Basis	\$3,642,929	\$1,804,686	(\$21,371)
Adjustments:			
Revenue Accrual	(69,585)	149,152	(200)
Expenditure Accrual	646,838	160,452	23,799
Advances	0	(697)	0
Encumbrances	(294,567)	(571)	(27,003)
Budget Basis	<u>\$3,925,615</u>	<u>\$2,113,022</u>	<u>(\$24,775)</u>

Note 5 - Accountability and Compliance

A. Accountability

At June 30, 2001, the food service, disadvantaged pupil impact aid and miscellaneous federal grants special revenue funds had deficit fund balances of \$21,491, \$277, and \$908, respectively. The deficits were created through recognition of amounts owed but not yet paid by the funds (accounts payable). The District advances monies to these funds only when required and transfers funds only to the extent that the amount issued between funds cannot be repaid. School District management is reviewing charges to insure that food service revenues are adequate and that encumbrance policies are followed.

*Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001*

Note 5- Accountability and Compliance (continued)

B. Compliance

Contrary to Section 5705.41 (B) Ohio Revised Code, the food service and miscellaneous federal grants special revenue funds had expenditures plus encumbrances in excess of appropriations at the end of the fiscal year ended June 30, 2001 of \$30,847 and \$6,196, respectively. The food service special revenue fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001 of \$5,337. In various instances, the School District failed to certify the availability of funds in accordance with Section 5705.41 (D) Ohio Revised Code. The School District is now enforcing a policy requiring that purchase orders be compared to available appropriations prior to their release and that encumbrances are made and reviewed prior to the actual purchase. Secondly, budget creation and revision of the available appropriations will occur on a more frequent basis in the future years.

Note 6- Deposits and Investments

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits 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 deposit or by savings accounts, including passbook accounts.

Protection of the School 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 money deposited with the institution.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 6 - Deposits and Investments (continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the 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 numbers (1) or (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 bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 6 - Deposits and Investments (continued)

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At year end, the carrying amount of the School District's deposits was (\$368,519) and the bank balance was \$907,193. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$707,193 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

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

	Category 3	Unclassified	Fair Value
Repurchase Agreement	\$1,361,916	\$0	\$1,361,916
STAR Ohio	0	6,139,487	6,139,487
Total	\$1,361,916	\$6,139,487	\$7,501,403

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 6 - Deposits and Investments (continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the fund financial statements and classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$7,132,884	\$0
Investments:		
Repurchase Agreements	(1,361,916)	1,361,916
STAR Ohio	(6,139,487)	6,139,487
GASB Statement No. 3	(\$368,519)	\$7,501,403

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2001 with real property taxes.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 7 - Property Taxes (continued)

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true 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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2001 taxes were collected are as follows:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$108,208,219	69.44%	\$140,797,410	65.79%
Public Utility	10,685,312	6.86	27,065,512	12.65
Tangible Personal Property	36,920,480	23.70	46,137,078	21.56
Total Assessed Value	\$155,814,011	100.00%	\$214,000,000	100.00%
Tax rate per \$1,000 of assessed valuation	36.91		36.91	

The Middletown City School District will allocate property tax revenue collected from the County Auditor from July 1 to December 31, 2001 to the School District within five days of receipt. Tax advances received by Middletown will be divided with 83% to Middletown and 17% to the School District. Upon final settlement from the County Auditor, the final distribution of taxes and fees will be made to each district based upon information provided by the County Auditor. This division will continue until December 31, 2001, provided the School District actually receives property tax revenue from residents or businesses located within the boundaries of the School District. No division of tax revenues shall take place after January 1, 2002.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 7 - Property Taxes (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, the amount available as an advance at June 30 and delinquent taxes is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. Delinquency is considered immaterial and all taxes are reasonably expected to be received within one year. The amount available as an advance at June 30, 2001, was \$680,000 in the general fund and \$221,000 in the emergency levy fund.

Note 8 - Receivables

Receivables at June 30, 2001, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable conditions of State programs, and the current year guarantee of federal funds. All amounts recorded as a receivable are reasonably expected to be received within one year and any amounts beyond one year are immaterial.

A summary of the principal items of intergovernmental receivables follows:

Net Assets	Amounts
General Fund	
STRS Refund	\$314,199
Emergency Levy Fund	
STRS Refund	26,231
Teacher Development Fund	
STRS Refund	321
Subtotal	340,751
Uncollectible	0
Total	\$340,751

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Restated Balance 07/01/00	Increases	Decreases	Balance 6/30/01
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$311,529	\$0	\$0	\$311,529
*Capital Assets, being depreciated				
Buildings and Improvements	3,783,043	83,287	0	3,866,330
Furniture and Equipment	1,273,999	316,570	0	1,590,569
Vehicles	408,923	0	0	408,923
Total at Historical Cost	<u>5,777,494</u>	<u>399,857</u>	<u>0</u>	<u>6,177,351</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	3,575,080	8,530	0	3,583,610
Furniture and Equipment	926,411	195,728	0	1,122,139
Vehicles	304,542	32,741	0	337,013
Total Accumulated Depreciation	<u>4,806,033</u>	<u>236,729</u>	<u>0</u>	<u>5,042,762</u>
Governmental Activities Capital Assets, Net	<u>\$971,461</u>	<u>\$163,128</u>	<u>\$0</u>	<u>\$1,134,589</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$174,850
Support Services:	
Pupils	1,240
Board of Education	1,779
Administration	23,499
Fiscal	974
Operation and Maintenance of Plant	1,186
Pupil Transportation	32,363
Extracurricular Activities	838
Total Depreciation Expense	<u>\$236,729</u>

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Midwestern Indemnity Company for commercial property, Nationwide Insurance for fleet insurance and liability insurance, and Cincinnati Insurance Company for boiler and machinery coverage. Coverages provided are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$22,110,216
Boiler and Machinery (\$500 deductible)	15,000,000
Automobile Liability (\$500 deductible)	3,000,000
Uninsured Motorists	300,000
General Liability	
Per occurrence	2,000,000

Settled claims have not exceeded this commercial coverage in the past year.

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the 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. A participant will then either receive money from or be required to contribute to the "equity pooling fund." The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributed to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 9.8 percent of annual covered salary was the portion used to fund health care benefits. The contribution requirements of plan members and employers are established and maybe be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2001 was \$57,100 (Note: Three years of contributions can not be presented since the School District's first fiscal year is 2001.); 67.12 percent has been contributed for 2001. \$18,772 represents the unpaid contribution for fiscal year 2001.

B. State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing STRS, 275 East Broad Street, Columbus, Ohio 43215-3371.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 11 - Defined Benefit Pension Plans (continued)

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2001 was \$430,505 (Note: Three years of contributions can not be presented since the School District's first fiscal year is 2001.); 92.15 percent has been contributed for fiscal year 2001. \$33,813 represents the unpaid contribution for fiscal year 2001.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement/State Teachers Retirement System. As of June 30, 2001, two of the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$203,924 during the 2001 fiscal year. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 12 - Postemployment Benefits (continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 8.45 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$148,060.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care the June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has 50,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determine vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees can earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated vacation time must be used within one year from when it is earned. Accumulated unused vacation time earned in the preceding year is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 195 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation. After fifteen years of total service, the School District assumes an employee will retire from the School District for reporting purposes.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 13 - Other Employee Benefits (continued)

B. Health, Dental and Life Insurance

The School District provides health and dental insurance to employees through the Butler County Health Plan. The School District pays 95% of the annual cost of a single membership and 90% of the annual cost of a family plan in medical insurance. The School District pays 85% of the annual cost of membership in dental insurance.

The School District provides life insurance and accidental death and dismemberment insurance to all employees who work more than twenty hours per week through Canadian Life Insurance. The amount of insurance coverage provided to each employee is \$30,000.

Note 14 - Operating/Capital Leases

A. Operating Lease

The government leases eight modulars and office space under noncancellable operating leases. Total costs for such leases were \$102,348 for the year ended June 30, 2001. The School District also paid up-front costs associated with the modular units being installed of \$101,835. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2002	\$123,714
2003	124,479
2004	125,259
2005	61,957
Total	<u><u>\$435,409</u></u>

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 14 - Operating/Capital Leases (continued)

B. Capital Lease

During fiscal year 2001, the School District entered into capitalized leases for copy machines. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of copiers have been capitalized on the statement of net assets in the amount of \$138,701. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was also recorded. Principal payments in fiscal year 2001 totaled \$13,770 in the general fund.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Furniture and Equipment	\$138,701
Less: Accumulated Depreciation	(16,181)
Total	\$122,520

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	Capital Lease
2002	\$33,034
2003	33,034
2004	33,035
2005	33,034
2006	13,763
Total	145,900
Less: Amount Representing Interest	(20,969)
Present Value of Net Minimum Lease Payments	\$124,931

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 14 - Operating/Capital Leases (continued)

The annual debt service requirements to maturity for the capital lease paid from the General Fund are as follows

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2002	\$24,970	\$8,064	\$33,034
2003	26,800	6,234	33,034
2004	28,765	4,270	33,035
2005	30,874	2,160	33,034
2006	13,522	241	13,763
Total	\$124,931	\$20,969	\$145,900

Note 15 - Long - Term Liabilities

The changes in the School District's long-term obligations (non-current liabilities) during the year consist of the following:

	Obligation Outstanding 6/30/00	Additions	Reductions	Obligation Outstanding 6/30/01	Amounts Due in One Year
Governmental Activities					
Compensated Absences	\$0	\$480,843	\$66,888	\$413,955	\$51,473
Pension Liability	0	56,542	0	56,542	56,542
Capital Leases Payable	0	138,701	13,770	124,931	24,970
Total Governmental	\$0	\$676,086	\$80,658	\$595,428	\$132,985

The District had no long or short term notes payable or bonds payable as of June 30, 2001 nor were any such debts outstanding during the fiscal year then ended.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 15 - Long - Term Liabilities (continued)

Pension liability and compensated absences will be paid from the fund where the employee's salary is paid. Capital leases will be paid from the General fund.

At June 30, 2001, the School District's overall legal debt margin was \$19,260,000 with an unvoted debt margin of \$214,000.

Note 16 - Interfund Balances

Interfund balances at June 30, 2001, consist of the following individual receivables and payables in the governmental fund balance sheet (such amounts are removed in the statement of net assets):

	Interfund Receivable	Interfund Payable
General Fund	\$472	\$0
Special Revenue Funds:		
Emergency Levy	697	0
Nonmajor Funds	0	1,169
Total Special Revenue Funds	697	1,169
Total All Funds	\$1,169	\$1,169

During the year the Emergency Levy fund advanced the Miscellaneous Federal Grant special revenue fund (nonmajor fund) monies for expenditures related to the program. This advance will be repaid within one year or less after the revenues for the next program year are received. The District Managed Activities special revenue fund (nonmajor fund) owed the General Fund fees from transportation of students. The General Fund will be repaid within one year or less.

***Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001***

Note 17 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration. As of the date of the financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

***Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001***

Note 18 - Jointly Governed Organizations

A. Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. During the 2001 fiscal year, the School District paid \$17,490 to SWOCA for services. The District has no ongoing financial interest in nor responsibility for the Association. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

B. Butler County Joint Vocational School District

The Butler County Joint Vocational School District (BCJVSD), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected boards. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. BCJVSD was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for the Joint Vocational School. To obtain financial information, write to the BCJVSD, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Note 19 - Insurance Purchasing Pools

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 19 - Insurance Purchasing Pools (continued)

B. Butler County Health Plan

The School District participates in the Butler County Health Plan (BCHP), an insurance purchasing pool. The BCHP was formed to provide affordable medical, dental and vision insurance to member's employees, eligible dependents and designated beneficiaries. The Board of Trustees is composed of seven representatives from the participating members, five of whom shall be administrative employees (at least one superintendent and one treasurer), one shall be a certificated employee and one shall be a classified employee. Each representative is elected to serve a three year staggered term. To obtain financial information write to BCHP at 6025 Dixie Highway, Suite 250, Fairfield, Ohio 45014.

Note 20 - Set-aside calculations and fund reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District also received monies for school bus purchases. This amount is shown as a reserve for school bus purchase allowance.

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$0
Current Year Set-aside Requirement	242,541	242,541	485,082
Qualifying Disbursements	(315,036)	0	(315,036)
Total	<u>(72,495)</u>	<u>242,541</u>	<u>170,046</u>
Cash Balance Carried Forward to FY 2001	<u>(\$72,495)</u>	<u>\$242,541</u>	
Total Restricted Assets			<u>\$242,541</u>

Monroe Local School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2001

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

As of June 30, 2001, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.

Note 22 - Changes in Accounting Principle and Restatement of Fund Balance

The District implemented several new GASB pronouncement for the fiscal year (See Note 3.) The District made several decisions related to the implementation. The District reclassified the lunchroom fund from an enterprise fund to a special revenue fund. The District also eliminated the debt service fund since the estimated tax revenues in the fiscal year 2000 report did not occur and are not expected to occur. These changes had the following effects on fund balance as of June 30, 2000.

	Special Revenue	Debt Service	Enterprise
Fund Balance, June 30, 2000, reported	\$460,791	\$4,104	\$13,375
Reclassification of Lunchroom fund	13,775	0	(13,375)
Elimination of Debt Service fund	0	(4,104)	0
Fund Balance, June 30, 2000, restated	<u>\$474,566</u>	<u>\$0</u>	<u>\$0</u>

Note 23 - Subsequent Events

On November 6, 2001, voters approved an 8.61 mill levy for school facilities. The District expects to generate an additional \$18,000,000 in annual real estate tax revenue from the new levy. On November 7, 2001, the District purchased 124.482 acres of land for \$1,867,230. The District also received 62.24 acres worth \$933,615 as a donation of adjoining land. The District plans to utilize this land for the new school facilities building.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Monroe Local School District
Butler County
30 Overbrook Dr., Suite D
Monroe, OH 45050

We have audited the financial statements of Monroe Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated March 4, 2002, in which we noted the District adopted Governmental Accounting Standards Board Statements 33, 34, 36, 37, 38 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Monroe Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10409-001. We also noted certain immaterial instances of noncompliance that we have reported to management of Monroe Local School District in a separate letter dated March 4, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10409-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Monroe Local School District
Butler County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Monroe Local School District in a separate letter dated March 4, 2002.

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

Jim Petro
Auditor of State

March 4, 2002

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

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

FINDING NUMBER 2001-10409-001

Material Noncompliance - Cash Disbursements

Ohio Rev. Code, Section 5705.41(D), states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be only signed by the subdivision fiscal officer. Every such contract made without such certificate shall be void and no warrant shall be issued in payment. This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate; and
- B. If the amount involved is less than one thousand dollars (\$1,000), the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Fifteen of the forty (37%) purchases tested were initiated without obtaining the prior certification of the fiscal officer. Eleven of the fifteen not properly encumbered were stamped with the Then & Now certificate. However, none of the eleven, which were all over the \$1,000 threshold were subsequently approved by the Board of Education within 30 days as permitted.

FINDING NUMBER 2001-10409-002

Internal Control Reportable Condition - Monthly Reconciliations

The District did not prepare accurate payroll account cash reconciliations throughout the period under audit. A reconciliation compares the book to bank balance at a point in time and describes any differences between the two as reconciling items. In examining the reconciliations we noted the following:

- The payroll account was not being reconciled monthly during the year;
- Payroll account balances continued to increase during the year with a balance of \$157,904 at year end; and
- Interest revenue in the amount of \$3,023 was not posted to the District's accounting records.

As a result of the above items, additional procedures were performed to reconcile the payroll account. The additional procedures indicated that as of June 30, 2001, the District's overall bank balance was \$3,466 higher than the book balance.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and reduce the risk of fraud or error. Additionally, payroll account variances effect the general account reconciliations thus causing further discrepancies. We recommend that all financial activity of the District be properly reconciled on a monthly basis with the bank statements. Any variances should be investigated promptly.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MONROE LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2002**