



**Dave Yost • Auditor of State**

**Monroe Local School District  
Bulter County, Ohio**

**Financial Forecast  
For the Fiscal Year Ending June 30, 2012**

**Local Government Services Section**



Monroe Local School District  
Butler County

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# Dave Yost • Auditor of State

Board of Education  
Monroe Local School District  
500 Yankee Road  
Monroe, Ohio 45050

## CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Monroe Local School District, Butler County, Ohio, and issued a report dated May 7, 2012. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2012 of \$2,204,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2013 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2012.

DAVE YOST  
Auditor of State

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Unice S. Smith  
Chief of Local Government Services

May 9, 2012

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# Dave Yost • Auditor of State

Board of Education  
Monroe Local School District  
500 Yankee Road  
Monroe, Ohio 45050

## **Independent Accountant's Report**

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Monroe Local School District for the fiscal year ending June 30, 2012. The Monroe Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2009, 2010, and 2011 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST  
Auditor of State

May 7, 2012

Monroe Local School District  
Butler County  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Years Ended June 30, 2009 Through 2011 Actual;  
For the Fiscal Year Ending June 30, 2012 Forecasted  
General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Fiscal Year 2012 Forecasted
<b>Revenues</b>				
General Property Taxes	\$8,981,000	\$8,903,000	\$8,653,000	\$9,424,000
Tangible Personal Property Taxes	686,000	40,000	9,000	2,000
Unrestricted Grants-in-Aid	5,343,000	5,184,000	4,734,000	5,043,000
Restricted Grants-in-Aid	35,000	17,000	13,000	83,000
Restricted Federal Grants-in-Aid - SFSF and Education Jobs	0	331,000	569,000	110,000
Property Tax Allocation	1,480,000	1,591,000	1,588,000	1,239,000
All Other Revenues	1,810,000	1,925,000	2,223,000	2,444,000
<i>Total Revenues</i>	<u>18,335,000</u>	<u>17,991,000</u>	<u>17,789,000</u>	<u>18,345,000</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Notes	0		1,000,000	1,400,000
Transfers In	0	0	3,000	0
Refund of Prior Year Expenditures	2,000	0	0	0
<i>Total Other Financing Sources</i>	<u>2,000</u>	<u>0</u>	<u>1,003,000</u>	<u>1,400,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>18,337,000</u>	<u>17,991,000</u>	<u>18,792,000</u>	<u>19,745,000</u>
<b>Expenditures</b>				
Personal Services	9,563,000	9,765,000	10,137,000	10,476,000
Employees' Retirement/Insurance Benefits	2,927,000	3,064,000	3,306,000	3,575,000
Purchased Services	3,605,000	3,920,000	3,994,000	4,266,000
Supplies and Materials	753,000	598,000	684,000	511,000
Capital Outlay	370,000	202,000	161,000	75,000
Debt Service:				
Principal-Tax Anticipation Note	0	0	400,000	1,400,000
Principal-Stadium Lease	0	0	0	64,000
Principal-Field House Lease	0	0	0	68,000
Principal-Roof	0	0	0	52,000
Principal-Certificates of Participation	0	0	0	35,000
Interest	0	0	11,000	206,000
Other Objects	348,000	326,000	410,000	335,000
<i>Total Expenditures</i>	<u>17,566,000</u>	<u>17,875,000</u>	<u>19,103,000</u>	<u>21,063,000</u>
<b>Other Financing Uses</b>				
Transfers Out	640,000	502,000	706,000	67,000
Advances Out	0	19,000	0	0
<i>Total Other Financing Uses</i>	<u>640,000</u>	<u>521,000</u>	<u>706,000</u>	<u>67,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>18,206,000</u>	<u>18,396,000</u>	<u>19,809,000</u>	<u>21,130,000</u>
<i>Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses</i>	131,000	(405,000)	(1,017,000)	(1,385,000)
Cash Balance (Deficit) July 1	<u>622,000</u>	<u>753,000</u>	<u>348,000</u>	<u>(669,000)</u>
Cash Balance (Deficit) June 30	753,000	348,000	(669,000)	(2,054,000)
<b>Encumbrances</b>				
Actual/Estimated Encumbrances June 30	<u>202,000</u>	<u>349,000</u>	<u>175,000</u>	<u>150,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$551,000</u>	<u>(\$1,000)</u>	<u>(\$844,000)</u>	<u>(\$2,204,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies  
See independent accountant's report



Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**Note 1 – The School District**

The Monroe Local School District (the School District) is located in Butler County and encompasses the City of Monroe and a portion of Lemon Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one primary school, one elementary school, one middle school, and one high school. The School District is staffed by 63 classified and 145 certificated personnel to provide services to approximately 2,373 students and other community members.

**Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the Monroe Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of May 7, 2012, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 - Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt, the school district fiscal stabilization fund, education jobs fund, and emergency levy fund are included in the general fund.

**Note 4 - Summary of Significant Accounting Policies**

**Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**Fund Accounting**

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

**Proprietary Funds**

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

**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.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Butler County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

**Note 5 - General Operating Assumptions**

The Monroe Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

**General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Butler County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2012 (the collection year) for real and public utility property taxes represents collections of 2011 taxes (the tax year). Property tax payments received during calendar year 2012 for tangible personal property (other than public utility property) are for delinquent taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2013 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2012.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	\$3.13
Continuing Operating	1976	18.27
Bond Levy	2001	7.35
Substitute Expense	2009	10.76
Permanent Improvement	2011	2.03
Total Tax Rate		<u>\$41.54</u>

Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$30.76 per \$1,000 of assessed valuation for collection year 2012, and the effective commercial and industrial real property tax rate is \$31.39 per \$1,000 of assessed valuation for collection year 2012.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Tangible personal property used in business was taxed in calendar years prior to 2011. No tangible personal property taxes are levied or collected after calendar year 2010. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Butler and Warren County Auditors. The School District anticipates an increase of \$771,000 from the prior fiscal year due to the Rockies Express Pipeline which was installed to transport natural gas. The pipeline runs from Colorado to Eastern Ohio.

**Unrestricted Grants-in-Aid**

In fiscal year 2009, the State's foundation program, established by Chapter 3317 of the Ohio Revised Code, included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee provided to address certain policy issues or to correct flaws in formula aid, were also included in this revenue. The semi-monthly payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the School District's taxable property valuation. The per pupil foundation level was set by State Legislature. The per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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The per pupil amounts for fiscal year 2009 is as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2009	\$5,732	\$51	\$5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2010 and 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 99 and 98 percent, respectively, for fiscal years 2010 and 2011 of the total amount received from fiscal year 2009 State Foundation aid.

In fiscal years 2010 and 2011, approximately six and eight percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (Restricted Federal Grants-in-Aid) for the Monroe Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2012 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2012, the Monroe Local School District estimates \$5,043,000 in adequacy funding which is an increase of \$309,000 based on the allocation allotted by the Ohio Department of Education.

Monroe Local School District  
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Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

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**Restricted Grants-in-Aid**

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and subsidy, Medicaid school program and catastrophic aid special education monies. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. For fiscal year 2012, the School District anticipates \$8,000 in restricted grants-in-aid monies for career technologies, \$5,000 for catastrophic aid, \$53,000 in special education bus subsidy and \$17,000 in Medicaid school program.

**Restricted Federal Grants-in-Aid**

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. These funds have limited restrictions on their use. Monroe Local School District received \$331,000 for fiscal year 2010 and \$403,000 in fiscal year 2011, which was used for purchased services. SFSF has not been reauthorized by the Federal government.

In 2010, Congress passed, and the President has signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The Monroe Local School District, based on estimates provided by the Department of Education, received \$166,000 in fiscal year 2011 and anticipates \$110,000 for fiscal year 2012. The School District has used these funds in fiscal year 2011 for salaries for teachers.

**Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimburse the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in

Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2012, the School District anticipates receiving \$332,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance
Homestead and Rollback	\$947,000	\$942,000	\$940,000	\$907,000	(\$33,000)
Utility Deregulation	2,000	2,000	2,000	0	(2,000)
Tangible Personal Property Loss Reimbursement	531,000	647,000	646,000	332,000	(314,000)
<b>Totals</b>	<b>\$1,480,000</b>	<b>\$1,591,000</b>	<b>\$1,588,000</b>	<b>\$1,239,000</b>	<b>(\$349,000)</b>

**All Other Revenues**

All other revenues include tuition, interest, rentals, contributions and donations, tax increment and residential improvement district financing, and other revenue.

Open enrollment tuition revenue has fluctuated over the past several years. In fiscal years 2009 through 2011, revenue decreased each year due to decreases in students participating in open enrollment program. In fiscal year 2012, revenue is expected to increase significantly from fiscal year 2011 due to the School District expanding the open enrollment program to include grades 1 through 12. In previous years, the program was only available to students in grades 9 through 12.

The School District receives tax increment and residential improvement district financing revenues from the City of Monroe. Revenues for fiscal year 2012 are expected to decline. In fiscal year 2011, the State Department of Education approved the Mt. Pleasant area as a residential improvement district. Due to a delay of the approval, the first settlement received for this area of the residential improvement district was a collection of three years worth of financing.



Monroe Local School District  
Butler County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2012

All other revenues consist of the following:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance Increase (Decrease)
Open Enrollment Tuition	\$719,000	\$534,000	\$381,000	\$828,000	\$447,000
Other Tuition	71,000	87,000	137,000	173,000	36,000
Interest	39,000	15,000	8,000	1,000	(7,000)
Tax Increment and Residential Improvement District Financing	798,000	1,239,000	1,679,000	1,390,000	(289,000)
Other	183,000	50,000	18,000	52,000	34,000
<b>Totals</b>	<b>\$1,810,000</b>	<b>\$1,925,000</b>	<b>\$2,223,000</b>	<b>\$2,444,000</b>	<b>\$221,000</b>

**Other Financing Sources**

Proceeds from Sale of Notes – During fiscal year 2011, the School District issued \$1,000,000 in tax anticipation notes at an interest rate of 2.50 percent. The School District paid the entire note back during fiscal year 2011.

During fiscal year 2012, the School District issued \$1,400,000 in tax anticipation notes at an interest rate of 2.25 percent. The notes mature on June 30, 2012. The School District will pay the entire note back during fiscal year 2012.

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecasted Fiscal Year 2012	Variance Increase (Decrease)
Refund of Prior Year Expenditures	\$2,000	\$0	\$0	\$0	\$0
Tax Anticipation Notes	0	0	1,000,000	1,400,000	400,000
Transfers In	0	0	3,000	0	(3,000)
<b>Totals</b>	<b>\$2,000</b>	<b>\$0</b>	<b>\$1,003,000</b>	<b>\$1,400,000</b>	<b>\$397,000</b>

**Note 7 – Significant Assumptions for Expenditures and Other Financing Uses**

**Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

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Staffing levels for the last three fiscal years and the forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2009	2010	2011	2012
General Fund:				
Certified	140	137	153	144
Classified	34	34	34	33
Total General Fund	174	171	187	177
Other Funds				
Certified	1	3	2	1
Classified	38	31	37	30
Total Other Funds	39	34	39	31
Totals	213	205	226	208

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period June 30, 2011 to June 30, 2014. Certified employees did receive a base salary increase as agreed to in the negotiated agreement, but if eligible did receive a step increase for fiscal year 2012. The increase in certified salaries is due to the base and step increases, the movement of employees from other funds to the general fund and the movement of the athletic director's contract out of the district managed activities Fund to the general fund. In the prior fiscal year, the School District would make general fund transfers to the district managed activities fund to cover the cost of the athletic director's contract.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period June 30, 2011 to June 30, 2014. Classified employees received an average 2.75 percent in base salary increases and step increases if eligible, in fiscal year 2012. Classified salaries are forecasted to increase due to base and step increases.

The negotiated contract was approved by the Board but has not been signed. The School Treasurer cannot certify the funds are available to pay the negotiated contract.

Substitute salaries are forecasted to decrease for both certified and classified staffing.

Supplemental salaries are forecasted to increase due to the movement of the supplemental athletic contracts from the district managed activities fund to the general fund. In the prior fiscal year, the School District would make general fund transfers to the district managed activities fund to cover the cost of the supplemental athletic contracts.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is equal to 25 percent of their unused sick leave, but not to exceed 220 days. Certified employees also receive \$1,000 for submitting their letter of resignation by a predetermined date as set forth in the negotiated agreement. The School District also offers a super severance bonus of \$15,000 to certified employees and \$7,500 to classified employees, if they retire in the first year of eligibility based upon requirements of the STRS and the SERS. This additional bonus will be paid in January of the following year after the employee retires. Starting in fiscal year 2011, the School District offered an additional retirement incentive for certified employees. If a certified employee retires in the first year of eligibility as determine by STRS, they qualify for an additional severance payment of \$45,000 to Educators

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Preferred Corporation (EPC) to purchase an annuity. The payment to EPC is made in three annual installments with the first payment being made in September following the end of the fiscal year.

Overtime for custodial employees increased in fiscal year 2011 due to the School District did not fill an open position, which caused other staff member to work overtime to get worked completed.

Other salaries are forecasted to decrease due to the School district not using multiple bi-lingual tutors and the movement of a guidance counselors' salary out o the other instruction line to a more appropriate expenditure line.

Presented below is a comparison of salaries and wages for fiscal years 2009, 2010 and 2011 and the forecast period.

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Certified Salaries	\$7,843,000	\$7,898,000	\$8,421,000	\$8,446,000	\$25,000
Classified Salaries	1,179,000	1,230,000	1,096,000	1,400,000	304,000
Substitute Salaries	202,000	251,000	288,000	250,000	(38,000)
Supplemental Contracts	62,000	60,000	64,000	218,000	154,000
Severance	103,000	107,000	21,000	64,000	43,000
Overtime	41,000	36,000	56,000	55,000	(1,000)
Other Salaries and Wages	133,000	183,000	191,000	43,000	(148,000)
Totals	<u>\$9,563,000</u>	<u>\$9,765,000</u>	<u>\$10,137,000</u>	<u>\$10,476,000</u>	<u>\$339,000</u>

**Employees' Retirement/Insurance Benefits**

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earnings less than a minimum salary amount. STRS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. Since the School District's inception, payments are made directly to SERS by the School District. The School District pays the employee retirement contributions for its superintendent and treasurer. The increase that appears on the employee benefits schedule is due to salary and step increases and the movement of employees from other funds to the general fund.

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Health care and dental insurance rates are fixed by the Board of Education on a yearly basis, from July to June. The monthly payments for health care benefits are as follows:

<b>Coverage:</b>	<u>Effective January 1, 2012</u>		<u>Effective January 1, 2011</u>
Health		Health	
PPO		Classic	
Single	\$479.00	Single	\$528.00
Employee + 1	873.00	Employee + 1	959.00
Family	1,235.00	Family	1,359.00
HDHP		Choice	
Single	379.00	Single	448.00
Employee + 1	689.00	Employee + 1	816.00
Family	973.00	Family	1,154.00
		Basic	
		Single	354.00
		Employee + 1	644.00
		Family	909.00
Dental			
Composite	92.00		87.00
Vision			
Single	12.47		12.47
Family	28.22		28.22

Health care costs are based on the number of employees participating in the program and the type of coverage (single, employee +1 or family) provided to each employee. The health care program includes medical, prescription drug, dental and vision care. The School District offers healthcare to part-time employees. Employees that work between 30 to 39 hours per week will pay 20 percent of the premium costs for medical, 15 percent for dental and 65.45 percent for vision. Employees that work 20 to 29 hours per week will pay 50 percent of the premium for medical, 15 percent for dental and 65.45 percent for vision. Full time employees will pay 5 percent of the premium for single medical and 10 percent for employee + 1 and family medical coverage, 15 percent for dental and 65.45 percent for vision. The School District pays the entire amount of the premium cost for life insurance for all employees. During fiscal year 2012, the School District changed healthcare plans and went from three types of coverage to two. The majority of the employees participated in the Choice plan during the first half of fiscal year 2012 and the PPO plan the last half of fiscal year 2012. Health insurance experienced an increase in premiums due to majority of employees opting from the Choice plan to the PPO plan. In addition the School District has more employees participating in the plan.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. In fiscal year 2010, the School District paid 55 percent of the calendar year 2008 liability and the entire amount of the calendar year 2009 liability. During fiscal year 2011, the School District paid 45 percent of the calendar year 2010

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liability with the remainder of the liability to be paid in fiscal year 2012, along with the 45 percent of the calendar year 2011 liability. Over all the workers' compensation rate has been decreasing.

Other benefits are expected to decrease for fiscal year 2012 due to a decline in tuition reimbursements and one incentive payment made during fiscal year 2011. During fiscal year 2011, the School District offered employees a one-time payment if they would change their insurance plan to the next plan below their current one. The School District had numerous employees that went from the Classic plan to the Choice plan.

Presented below is a comparison of fiscal years 2009, 2010, 2011 and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Employer's Retirement	\$1,390,000	\$1,288,000	\$1,394,000	\$1,464,000	\$70,000
Health Care/Life Insurance	1,346,000	1,494,000	1,696,000	1,853,000	157,000
Workers' Compensation	37,000	105,000	34,000	67,000	33,000
Medicare	122,000	127,000	134,000	151,000	17,000
Unemployment	4,000	12,000	9,000	7,000	(2,000)
Other Benefits	28,000	38,000	39,000	33,000	(6,000)
Totals	<u>\$2,927,000</u>	<u>\$3,064,000</u>	<u>\$3,306,000</u>	<u>\$3,575,000</u>	<u>\$269,000</u>

**Purchased Services**

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
Professional and Technical Services	\$473,000	\$986,000	\$860,000	\$873,000	\$13,000
Property Services	419,000	205,000	294,000	367,000	73,000
Travel and Meeting Expenses	67,000	47,000	40,000	26,000	(14,000)
Communication Costs	66,000	39,000	40,000	40,000	0
Utility Services	600,000	466,000	455,000	482,000	27,000
Trade Services	2,000	13,000	14,000	14,000	0
Tuition Payments	539,000	588,000	949,000	948,000	(1,000)
Pupil Transportation	1,375,000	1,528,000	1,303,000	1,500,000	197,000
Other Purchased Services	64,000	48,000	39,000	16,000	(23,000)
Totals	<u>\$3,605,000</u>	<u>\$3,920,000</u>	<u>\$3,994,000</u>	<u>\$4,266,000</u>	<u>\$272,000</u>

Property services increased due to payments for copier leases. In prior fiscal years, the School District posted the copier payments to the debt service fund. Pupil transportation increased in 2012 as a result of the School District holding payments to Peterman LLC for the fiscal year 2011 bus transportation contract. The School District does not anticipate holding payments for the fiscal year 2012 bus transportation contract.

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**Supplies and Materials**

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$402,000	\$349,000	\$450,000	\$281,000	(\$169,000)
Operations, Maintenance and Repair	138,000	121,000	177,000	158,000	(19,000)
Textbooks	213,000	128,000	57,000	72,000	15,000
Totals	<u>\$753,000</u>	<u>\$598,000</u>	<u>\$684,000</u>	<u>\$511,000</u>	<u>(\$173,000)</u>

Supplies and materials are anticipated to decrease due to the School District restricting the supplies to be purchased in fiscal year 2012.

**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2012, the School District is forecasting \$75,000 in equipment expenditures, which is less than the prior fiscal year expenditures due to the School District using the permanent improvement fund to purchase equipment in fiscal year 2012. Starting with the February, 2012 property tax settlement, the School District has elected to move a portion of the inside millage to the permanent improvement fund.

**Debt Service**

For fiscal years 2009 through 2011, Monroe Local School District posted debt services payments for the stadium lease, field house lease, roof lease, certificates of participation, and a portion of the tax anticipation note as well as copier lease in the debt service fund instead of the general fund. The forecast for fiscal year 2012 reflects these debt service principal and interest payments.

The outstanding balances and fiscal year 2012 principal payment for general fund supported debt consists of the following:

Type	Maturity Date	Balance at 6/30/11	Principal Payment	Interest Payment
2012 Tax Anticipation Note	June 30, 2012	\$0	\$1,400,000	\$31,000
2011 Certificates of Participation	December 1, 2029	940,000	35,000	44,000
2008 Roof Lease	August 27, 2013	168,000	52,000	6,000
2005 Stadium Lease	January 1, 2034	2,634,000	64,000	86,000
2005 Field House Lease	July 1, 2024	1,316,000	68,000	39,000

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During fiscal year 2012, the School District issued \$1,400,000 in tax anticipation notes at 2.25 percent. The School District will pay the entire note back during fiscal year 2012.

During fiscal year 2011, the School District issued \$1,000,000 in tax anticipation notes at 2.5 percent. The School District paid the entire note back during fiscal year 2011.

During fiscal year 2011, the School District issued certificates of participation in the amount of \$980,000 for acquiring land and buildings for the administration building and bus garage at 1.75 percent. The certificates of participation will mature in fiscal year 2030.

During fiscal year 2008, the School District entered into a \$365,000 lease-purchase agreement with Fifth Third Bank for a roof replacement at 4.42 percent. The lease-purchase will mature in fiscal year 2014.

During fiscal year 2005, the School District entered into a lease-purchase agreements for \$2,929,000 and \$1,656,000 with OASBO Expanded Asset Pooled Financing Program for constructing a stadium and athletic field house at interest rates from 3.1 to 4.36 percent. The lease-purchases will mature in fiscal year 2034 and 2024, respectively.

#### **Other Objects**

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$335,000, which is lower than the prior fiscal year. This is due to a one-time adjustment from the Butler County Auditor's office to correct an error in relation to tax increment financing monies received.

#### **Operating Transfers and Advances Out**

For fiscal year 2012, \$67,000 in transfers is anticipated to be made to the Title VI-B fund to cover grant expenditure overruns. In prior fiscal years, transfers were made to the district managed activities and permanent improvement funds.

#### **Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2012 are estimated to be \$150,000.

#### **Note 9 – Capital Acquisition and Improvements Set-Aside**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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.

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The set aside amount required is approximately \$392,000 for fiscal year 2012. The School District anticipates \$392,000 in offsets during the current fiscal year due to the permanent improvement tax levy and unused offsets from debt issued for constructing new schools. Therefore, no reserve for capital acquisition and improvements is forecasted.

**Note 10 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

**Note 11 - Levies**

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
November 2004	Emergency (Renewal)	\$1,500,000	5 Years	Passed
August 2008	Emergency (Renewal)	930,418	5 Years	Passed
August 2008	Emergency	1,119,280	5 Years	Failed
November 2006	Emergency	1,119,280	5 Years	Passed
March 2008	Bond	28,000,000	28 Years	Failed
November 2009	Substitute	3,549,698	5 Years	Passed

**Note 12 – Information Related to Periods Beyond the Forecast Period**

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2011 covered fiscal years 2012 through 2016 and assumes the continued operation of the School District with a small increase in revenues. At that time, the School District anticipated an operating deficit of \$1,568,000 for fiscal year 2012 and an accumulated operating deficit of \$7,938,000 by the end of fiscal year 2016. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of May 2012 and will cover fiscal years 2012 through 2016.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.





# Dave Yost • Auditor of State

**MONROE LOCAL SCHOOL DISTRICT**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 09, 2012**