

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2011*

MICHAEL WADE, TREASURER



Dave Yost • Auditor of State

Board of Education
Monroeville Local School District
101 West Street
Monroeville, Ohio 44847

We have reviewed the *Independent Accountants' Report* of the Monroeville Local School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Monroeville Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 2, 2012

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Monroeville Local School District
101 West Street
Monroeville, Ohio 44847

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Monroeville Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Monroeville Local School District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Monroeville Local School District, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the fiscal year ended June 30, 2011, the Monroeville Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 on our consideration of the Monroeville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Monroeville Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 22, 2011

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

The management's discussion and analysis of the Monroeville Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$537,102 which represents a 24.38 percent decrease from 2010.
- General revenues accounted for \$6,000,794 in revenue or 82.17 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,302,464 or 17.83 percent of total revenues of \$7,303,258.
- The District had \$7,840,360 in expenses related to governmental activities; \$1,302,464 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,000,794 were not adequate to provide for these programs.
- The District's only major governmental fund is the General Fund. The General Fund had \$6,341,584 in revenues and other financing sources and \$6,094,689 in expenditures and other financing uses. During fiscal year 2011, the General Fund's fund balance increased \$246,895 from \$491,292 to \$738,197.

Using these Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2011?” The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

The District’s statement of net assets and statement of activities can be found on pages 15-16 of this report.

Reporting the District’s Most Significant Funds

Fund Financial Statements

The analysis of the District’s major governmental fund begins on page 10. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s only major governmental fund is the General Fund.

Governmental Funds

Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-23 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-55 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for fiscal years 2011 and 2010.

Table 1 - Net Assets

	Governmental Activities	
	2011	2010
ASSETS		
Current and Other Assets	\$ 3,958,219	\$ 3,555,558
Capital Assets, Net	1,822,902	1,737,882
Total Assets	5,781,121	5,293,440
 LIABILITIES		
Current and Other Liabilities	2,883,991	2,677,434
Long-term Liabilities:		
Due Within One Year	131,466	70,723
Due in More Than One Year	1,099,328	341,845
Total Liabilities	4,114,785	3,090,002
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	909,146	1,630,014
Restricted	286,446	368,009
Unrestricted	470,744	205,415
Total Net Assets	\$ 1,666,336	\$ 2,203,438

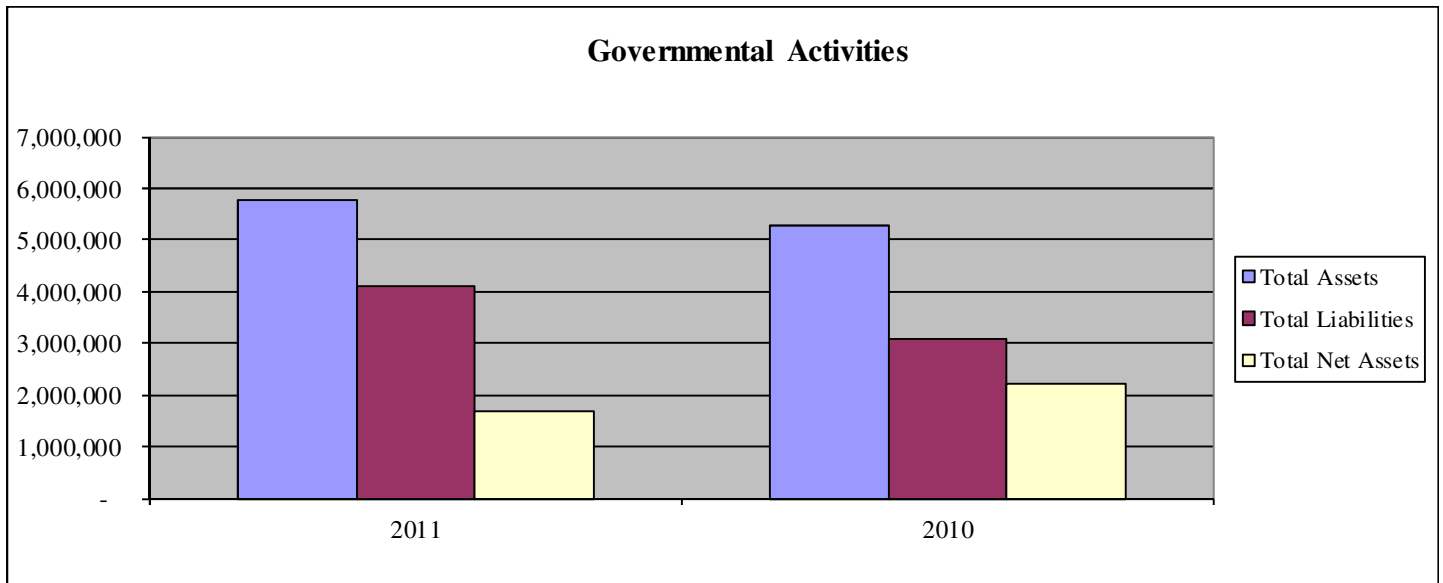
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$1,666,336. Of this total, \$470,744 is unrestricted in use.

Monroeville Local School District

At year-end, capital assets represented 31.53 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$909,146. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$286,446, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$470,744 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities, and net assets at June 30, 2011 and 2010:



The table below shows the changes in net assets for fiscal year 2011 and 2010.

Table 2 - Change in Net Assets

	Governmental Activities	
	2011	2010
REVENUES		
Program Revenues:		
Charges for Services	\$ 597,999	\$ 520,572
Operating Grants and Contributions	704,465	804,515
Total Program Revenues	<u>1,302,464</u>	<u>1,325,087</u>
General Revenues:		
Property Taxes	2,216,691	2,135,726
Income taxes	1,059,046	255,081
Grants and Entitlements	2,662,941	2,768,576
Investment Income	2,137	9,935
Other Revenues	59,979	45,924
Total General Revenues	<u>6,000,794</u>	<u>5,215,242</u>
Total Revenues	<u>7,303,258</u>	<u>6,540,329</u>
EXPENSES		
Program Expenses:		
Instruction:		
Regular	3,683,946	3,328,972
Special	741,020	585,251
Vocational	184,181	152,175
Support Services:		
Pupils	256,324	270,021
Instructional Staff	408,223	379,458
Board of Education	31,420	61,669
Administration	530,393	524,960
Fiscal Services	294,399	248,121
Business	769	1,541
Operation and Maintenance of Plant Services	536,233	455,231
Pupil Transportation	533,240	358,179
Central	1,382	2,129
Operation of Non-Instructional Services	381,438	348,505
Extracurricular Activities	219,272	216,564
Interest and Fiscal Charges	38,120	9,207
Total Expenses	<u>7,840,360</u>	<u>6,941,983</u>
Change in Net Assets	(537,102)	(401,654)
Net Assets - Beginning of Year	<u>2,203,438</u>	<u>2,605,092</u>
Net Assets - End of Year	<u>\$ 1,666,336</u>	<u>\$ 2,203,438</u>

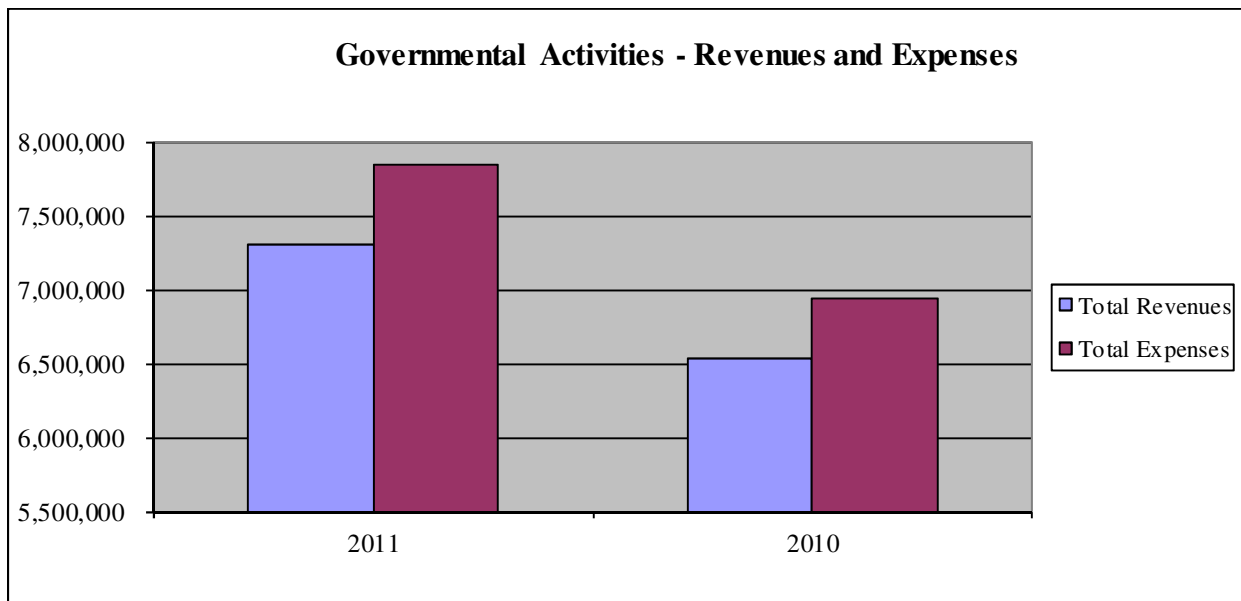
Governmental Activities

Net assets of the District’s governmental activities decreased \$537,102. Total governmental expenses of \$7,840,360 were offset by program revenues of \$1,302,464 and general revenues of \$6,000,794. Program revenues supported 16.61 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property and income taxes, and grants and entitlements. These revenue sources represent 81.32 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,609,147 or 58.79 percent of total governmental expenses for fiscal 2011.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2011 and 2010:



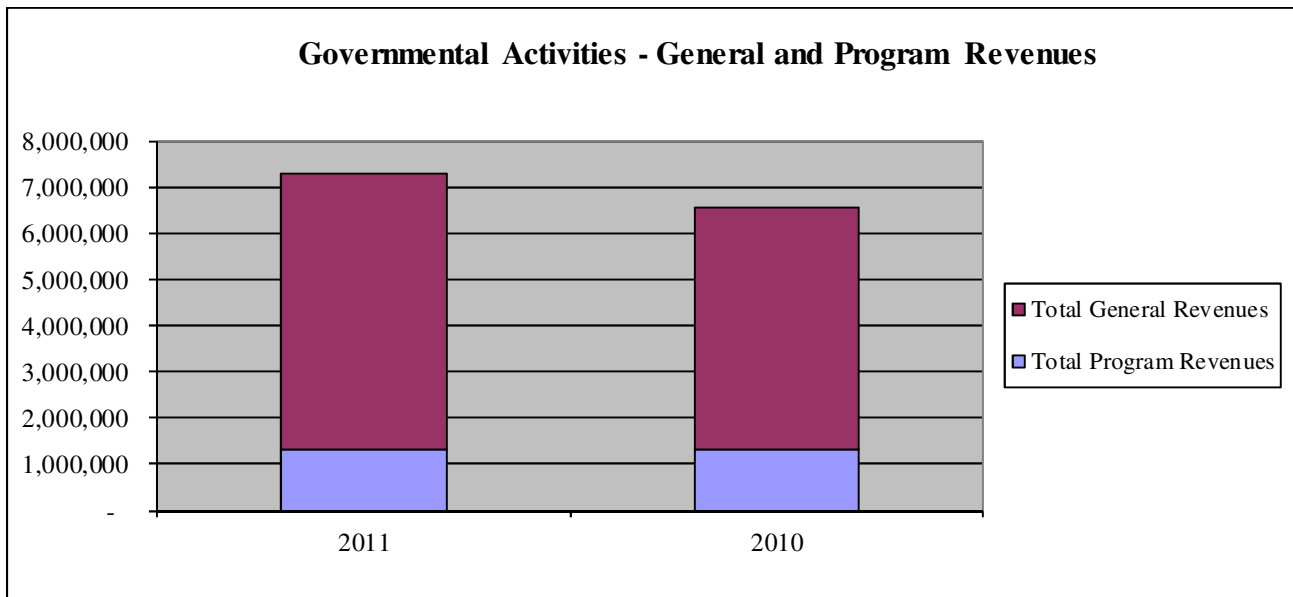
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

Table 3 - Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
Instruction	\$ 4,609,147	\$ 4,066,398	\$(3,901,824)	\$ (3,374,777)
Support Services:				
Pupils and Instructional Staff	664,547	649,479	(556,061)	(535,843)
Board of Education, Administration, Fiscal, and Business	856,981	836,291	(831,345)	(825,623)
Operation and Maintenance of Plant Services	536,233	455,231	(498,356)	(397,868)
Pupil Transportation	533,240	358,179	(522,551)	(315,537)
Central	1,382	2,129	(1,382)	(2,129)
Operation of Non-Instructional Services	381,438	348,505	(54,786)	(18,535)
Extracurricular Activities	219,272	216,564	(133,471)	(137,377)
Interest and fiscal charges	38,120	9,207	(38,120)	(9,207)
Total	\$ 7,840,360	\$ 6,941,983	\$(6,537,896)	\$ (5,616,896)

The dependence upon tax and other general revenues for governmental activities is apparent, 84.65 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.39 percent. (The District’s taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District’s students.)

The graph below presents the District’s governmental activities revenue for fiscal years 2011 and 2010.



The District's Funds

The District's governmental funds reported a combined fund balance of \$978,258, which is higher than last year's total of \$675,734. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

Table 4 – Fund Balance

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 738,187	\$ 491,292	\$ 246,895	50.25%
Other Governmental	240,071	184,442	55,629	30.16%
Total	\$ 978,258	\$ 675,734	\$ 302,524	44.77%

General Fund

The District's General Fund balance increased significantly from the previous year, with an increase in fund balance of \$246,895. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

Table 5 – General Fund

	2011 Amount	2010 Amount	Increase (Decrease)	Percentage Change
<u>Revenue</u>				
Taxes	\$ 3,193,241	\$ 2,306,164	\$ 887,077	38.47%
Earnings on Investments	1,713	15,114	(13,401)	-88.67%
Intergovernmental	2,650,948	2,758,871	(107,923)	-3.91%
Other Revenues	405,891	316,985	88,906	28.05%
Total Revenues	\$ 6,251,793	\$ 5,397,134	\$ 854,659	15.84%
<u>Expenditures</u>				
Instruction	\$ 3,800,257	\$ 3,640,918	\$ 159,339	4.38%
Support Services	1,996,677	1,969,381	27,296	1.39%
Extracurricular Activities	147,482	136,833	10,649	7.78%
Capital Outlay	89,791	-	89,791	100.00%
Debt Service	59,721	101,919	(42,198)	-41.40%
Total Expenditures	\$ 6,093,928	\$ 5,849,051	\$ 244,877	4.19%

Monroeville Local School District

Overall revenues of the General Fund increased 15.84 percent. Taxes increased \$887,077 or 38.47 percent due to passage of an income tax levy. Fiscal year 2011 was the first full year of income tax collections. Earnings on investments decreased \$13,401 or 88.67 percent due to decreased interest rates earned on investments.

Expenditures of the General Fund increased \$244,877 or 4.19 percent. The decrease in debt service expenditures of \$42,198 or 41.40 percent can be attributed to an energy conservation note that was paid off in 2010. The increase in capital outlay is the result of the District purchasing a new school bus.

General Fund Budgeting Highlights

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

For the General Fund, original budgeted revenues and other financing sources amounted to \$5,784,597 and final budgeted revenues and other financing sources of \$5,998,027. Actual revenues and other financing sources for fiscal 2011 were \$5,998,009. This represents a \$18 decrease from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$6,009,252 and final budgeted appropriations were \$6,008,972. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$6,008,145, which was \$827 less than the final budget appropriations.

Capital Assets and Debt Administration

At the end of fiscal 2011, the District had \$1,822,902 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to 2010:

Table 6 - Capital Assets at June 30 (net of depreciation)

	Governmental Activities	
	2011	2010
Land	\$ 302,965	\$ 302,965
Land Improvements	42,453	51,511
Buildings and Improvements	939,948	1,003,251
Furniture and Equipment	354,791	257,142
Vehicles	182,745	123,013
Total Capital Assets	\$ 1,822,902	\$1,737,882

The overall increase in capital assets of \$85,020 is due to capital outlays of \$291,893 exceeding depreciation expense of \$206,873.

See Note 10 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$770,000 in general obligation bonds and \$143,756 in capital lease obligations for copier equipment, computers, and school busses that were capitalized in assets for the amount of \$269,293. Of the outstanding obligations total, \$99,252 is due within one year and \$814,504 is due within greater than one year. The following table summarizes the notes and capital lease obligations outstanding.

Table 7 - Outstanding Debt at Year End

	Governmental Activities	
	2011	2010
General Obligation Bonds	\$ 770,000	\$ -
Capital Leases	143,756	107,868
Total Outstanding Debt	\$ 913,756	\$ 107,868

At June 30, 2011, the District’s overall legal debt margin was \$7,014,364, an unvoted debt margin of \$86,493.

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

Current Financial Related Activities

The District relies on property taxes, income tax, entitlements and grants. There has been a shift in taxes. A \$250,000 Emergency Levy was dropped with the passage of a 1.5 percent Earned Income Tax. Another Emergency Levy (\$291,000) will be dropped in 2014. On a cash basis, we will move out of deficit spending in Fiscal Year 2012 for two years, and then will return to deficit spending. The percentage of expenditures over income has decreased from previous years due to budget cuts and attrition.

With the passage of the 1.5 percent Earned Income Tax in November 2009, the tax revenue is split between income, real estate, and farming. The District is mainly rural and has a very small industrial base, however with the reduction of tangible personal property, the small amount derived from industry will be gone soon.

The facilities are overcrowded and have not been updated significantly to meet the enrollment needs and additional course offerings necessary to be academically proficient. The voters have rejected a plan for a new 7th-12th grade facility to be partially paid by the Ohio School Facilities Commission twice. The amount the District is eligible to receive from OSFC is now much smaller than it was originally. The Board of Education has no plans to participate in that program in the near future and any plan to remodel or build new is on hold due to the economic conditions at the present time. The need for operating funds must be the first priority of the District.

Contacting the District's Financial Management

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

Basic Financial Statements

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,258,076
Income Taxes Receivable	390,990
Property Taxes Receivable	2,297,962
Accounts Receivable	945
Accrued Interest Receivable	272
Intergovernmental Receivable	3,013
Materials and Supplies Inventory	4,742
Prepaid Items	2,219
Nondepreciable Capital Assets	302,965
Depreciable Capital Assets, Net	1,519,937
Total Assets	<u>5,781,121</u>
 <u>LIABILITIES</u>	
Accounts Payable	189,444
Accrued Wages and Benefits	587,061
Intergovernmental Payable	192,938
Accrued Interest Payable	32,302
Matured Compensated Absences Payable	18,548
Unearned Revenue	1,863,698
Long-term Liabilities:	
Due within one year	131,466
Due in more than one year	1,099,328
Total Liabilities	<u>4,114,785</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	909,146
Restricted:	
Capital Projects	134,648
Locally Funded Programs	411
State Funded Programs	12,948
Other Purposes	106,986
Federally Funded Programs	27,151
Student Activities	4,302
Unrestricted	470,744
Total Net Assets	<u><u>\$ 1,666,336</u></u>

See accompanying notes to the basic financial statements.

Monroeville Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>				
Instruction:				
Regular	\$ 3,683,946	\$ 364,615	\$ 79,750	\$ (3,239,581)
Special	741,020	-	262,958	(478,062)
Vocational	184,181	-	-	(184,181)
Support Services:				
Pupils	256,324	-	43,399	(212,925)
Instructional Staff	408,223	-	65,087	(343,136)
Board of Education	31,420	-	-	(31,420)
Administration	530,393	-	25,636	(504,757)
Fiscal Services	294,399	-	-	(294,399)
Business	769	-	-	(769)
Operation and Maintenance of Plant Services	536,233	-	37,877	(498,356)
Pupil Transportation	533,240	-	10,689	(522,551)
Central	1,382	-	-	(1,382)
Operation of Non-Instructional Services:				
Food Service Operations	284,938	150,202	96,022	(38,714)
Community Services	96,500	-	80,428	(16,072)
Extracurricular Activities	219,272	83,182	2,619	(133,471)
Interest and Fiscal Charges	38,120	-	-	(38,120)
Total Governmental Activities	\$ 7,840,360	\$ 597,999	\$ 704,465	(6,537,896)
General Revenues:				
Property Taxes levied for:				
General Purposes				2,145,061
Capital Outlay				71,630
Income Taxes levied for:				
General Purposes				1,059,046
Grants and Entitlements Not Restricted to Specific Programs				2,662,941
Investment Income				2,137
Other Revenues				59,979
Total General Revenues				6,000,794
Change in Net Assets				(537,102)
Net Assets - Beginning of Year				2,203,438
Net Assets - End of Year				\$ 1,666,336

See accompanying notes to the basic financial statements.

**Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 725,402	\$ 410,556	\$ 1,135,958
Property Taxes Receivable	2,233,526	64,436	2,297,962
Income Taxes Receivable	390,990	-	390,990
Accrued Interest Receivable	270	2	272
Accounts Receivable	599	346	945
Intergovernmental Receivable	-	3,013	3,013
Materials and Supplies Inventory	-	4,742	4,742
Prepaid Items	2,219	-	2,219
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	122,118	-	122,118
Total Assets	<u>\$ 3,475,124</u>	<u>\$ 483,095</u>	<u>\$ 3,958,219</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 66,548	\$ 122,896	\$ 189,444
Accrued Wages and Benefits	538,233	48,828	587,061
Intergovernmental Payable	177,758	15,180	192,938
Matured Compensated Absences	18,548	-	18,548
Deferred Revenue	122,729	5,543	128,272
Unearned Revenue	1,813,121	50,577	1,863,698
Total Liabilities	<u>2,736,937</u>	<u>243,024</u>	<u>2,979,961</u>
<u>Fund Balances</u>			
Nonspendable	2,219	4,742	6,961
Restricted	122,766	241,029	363,795
Assigned	23,074	-	23,074
Unassigned	590,128	(5,700)	584,428
Total Fund Balances	<u>738,187</u>	<u>240,071</u>	<u>978,258</u>
Total Liabilities and Fund Balances	<u>\$ 3,475,124</u>	<u>\$ 483,095</u>	<u>\$ 3,958,219</u>

See accompanying notes to the basic financial statements.

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011**

Total Governmental Fund Balances	\$ 978,258
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*Amounts reported for Governmental Activities on 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	1,822,902
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Other long-term assets are not available to pay for current period expenditures
and, therefore, are deferred in the funds:

Taxes	\$ 126,738	
Intergovernmental	1,534	
Total	128,272	128,272

Long-term liabilities, including capital leases, are not due and payable in the
current period and therefore are not reported in the funds:

General obligation bonds	(770,000)	
Capital leases	(143,756)	
Compensated absences	(317,038)	
Accrued interest	(32,302)	
Total	(1,263,096)	(1,263,096)

Net Assets of Governmental Activities	<u><u>\$ 1,666,336</u></u>
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See accompanying notes to the basic financial statements.

Monroeville Local School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Taxes	\$ 3,193,241	\$ 71,286	\$ 3,264,527
Tuition	319,256	-	319,256
Interest	1,713	424	2,137
Food Services	-	150,202	150,202
Extracurricular	12,664	60,054	72,718
Classroom Materials and Fees	44,686	-	44,686
Other Local Revenues	29,285	37,383	66,668
Intergovernmental - State	2,650,948	112,321	2,763,269
Intergovernmental - Federal	-	693,913	693,913
Total Revenues	6,251,793	1,125,583	7,377,376
<u>EXPENDITURES</u>			
Current:			
Instruction:			
Regular	3,236,598	97,852	3,334,450
Special	386,686	234,374	621,060
Vocational	176,973	-	176,973
Support Services:			
Pupils	107,163	144,802	251,965
Instructional Staff	334,847	54,859	389,706
Board of Education	31,392	-	31,392
Administration	501,104	25,624	526,728
Fiscal Services	291,661	1,795	293,456
Business	470	-	470
Operation and Maintenance of Plant Services	393,358	117,193	510,551
Pupil Transportation	335,300	10,631	345,931
Central	1,382	-	1,382
Operation of Non-Instructional Services:			
Food Service Operations	-	276,141	276,141
Community Services	-	96,500	96,500
Extracurricular Activities	147,482	71,790	219,272
Capital Outlay	89,791	709,154	798,945
Debt Service:			
Principal Retirement	53,903	-	53,903
Interest and Fiscal Charges	5,818	-	5,818
Total Expenditures	6,093,928	1,840,715	7,934,643
Deficiency of Revenues Under Expenditures	157,865	(715,132)	(557,267)

(Continued)

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Inception of Capital Lease	89,791	-	89,791
General Obligation Bonds Issued	-	770,000	770,000
Transfer In	-	761	761
Transfer Out	(761)	-	(761)
Total Other Financing Sources (Uses)	<u>89,030</u>	<u>770,761</u>	<u>859,791</u>
Net Change in Fund Balances	246,895	55,629	302,524
Fund Balances - Beginning of Year, Restated	<u>491,292</u>	<u>184,442</u>	<u>675,734</u>
Fund Balances - End of Year	<u><u>\$ 738,187</u></u>	<u><u>\$ 240,071</u></u>	<u><u>\$ 978,258</u></u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 302,524

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 291,893	
Depreciation	(206,873)	
Total	<u>85,020</u>	85,020

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	11,210	
Intergovernmental	(85,328)	
Total	<u>(74,118)</u>	(74,118)

Inception of capital lease and bond issuances are recorded as an other financing source in the governmental funds, but the capital lease inception and bond issuance increases long-term liabilities in the Statement of Net Assets (859,791)

Repayment of capital leases are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 53,903

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.

Compensated Absences	(12,338)	
Accrued interest on bonds	(32,302)	
Total	<u>(44,640)</u>	(44,640)

Change in Net Assets of Governmental Activities \$ (537,102)

See accompanying notes to the basic financial statements.

Monroeville Local School District

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,730,000	\$ 2,928,820	\$ 2,928,820	\$ -
Tuition	246,072	319,255	319,255	-
Interest	3,500	1,600	1,584	(16)
Classroom Materials and Fees	44,770	44,516	44,516	-
Other Local Revenues	31,000	28,436	28,436	-
Intergovernmental - State	2,704,707	2,650,952	2,650,950	(2)
Total Revenues	5,760,049	5,973,579	5,973,561	(18)
Expenditures				
Current:				
Instruction:				
Regular	3,137,094	3,131,094	3,239,235	(108,141)
Special	371,239	371,790	370,306	1,484
Vocational	176,655	172,155	183,957	(11,802)
Support Services:				
Pupils	142,681	140,681	119,945	20,736
Instructional Staff	374,406	364,344	329,874	34,470
Board of Education	55,974	50,974	34,545	16,429
Administration	510,392	509,422	498,207	11,215
Fiscal Services	273,401	270,101	283,289	(13,188)
Operation and Maintenance of Plant Services	490,586	486,586	396,898	89,688
Pupil Transportation	329,026	364,026	399,907	(35,881)
Central	2,200	2,200	1,382	818
Operation of Non-Instructional Services:				
Extracurricular Activities	145,598	145,599	148,361	(2,762)
Total Expenditures	6,009,252	6,008,972	6,005,906	3,066
Deficiency of Revenues				
Under Expenditures	(249,203)	(35,393)	(32,345)	3,048

(Continued)

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual (Non-GAAP Budgetary Basis) – General Fund (Continued)
For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	100	-	-	-
Advances In	24,448	24,448	24,448	-
Transfers Out	-	-	(2,239)	(2,239)
Total Other Financings Sources (Uses)	<u>24,548</u>	<u>24,448</u>	<u>22,209</u>	<u>(2,239)</u>
 Net Change in Fund Balance	 (224,655)	 (10,945)	 (10,136)	 809
Fund Balance - Beginning of Year	796,931	796,931	796,931	-
Prior Year Encumbrances Appropriated	<u>24,062</u>	<u>24,062</u>	<u>24,062</u>	<u>-</u>
 Fund Balance - End of Year	 <u>\$ 596,338</u>	 <u>\$ 810,048</u>	 <u>\$ 810,857</u>	 <u>\$ 809</u>

See accompanying notes to the basic financial statements.

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	<u>Private- Purpose Trust Scholarship</u>	<u>Agency Fund</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 152,519	\$ 50,082
Accrued Interest Receivable	977	-
Total Assets	<u>153,496</u>	<u>50,082</u>
<u>Liabilities</u>		
Due to Students	-	50,082
Total Liabilities	<u>-</u>	<u>\$ 50,082</u>
Net Assets		
Held in Trust for Scholarships	<u>153,496</u>	
Total Net Assets	<u>\$ 153,496</u>	

See accompanying notes to the basic financial statements.

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011**

	Private Purpose Trust Scholarship
<u>Additions</u>	
Interest	\$ 1,397
Gifts and Donations	639
Miscellaneous	14,202
Total Additions	16,238
 <u>Deductions</u>	
Scholarships Awarded	18,378
Change in Net Assets	(2,140)
Net Assets - Beginning of Year	155,636
Net Assets - End of Year	\$ 153,496

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates one elementary school and one comprehensive high school. The District employs 31 non-certified and 60 certified employees to provide services to 660 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain organizations Are Component Units*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

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

EHOVE Career Center (Center)

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

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among 41 school districts. NOECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Erie-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

RELATED ORGANIZATION

Monroeville Public Library

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue 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, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of budgetary control is established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations, if any, are legally enacted by the Board prior to June 30, 2011. There were five supplemental appropriations in fiscal year 2011. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund and the Private-Purpose Trust funds. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$1,713, which includes \$273 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 6.

G. Inventory

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. Receivables and payables resulting from loans from governmental funds to the agency fund are classified as "loans receivable/payable." The District has no interfund receivables/payables or loans receivable/payable at June 30, 2011.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 60 or greater with 5 years of service, age 50 with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance (Continued)

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the District’s Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and capital acquisitions.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Prepayments

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

O. Parochial Schools

Within the District boundaries, St. Joseph Elementary is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

P. Estimates

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

Q. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalent set-aside to establish school bus purchases and capital acquisitions. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 18.

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE AND CHANGES IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The implementation of this statement resulted in a restatement of the School District's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.

B. Deficit Fund Balances

Fund balances at June 30, 2011, included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$290
Title I	80

The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the Food Service and Title I funds resulted from adjustments for accrued liabilities.

NOTE 4 - RESTATEMENT OF PRIOR YEAR BALANCES

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Nonmajor Governmental Funds
Fund Balance at June 30, 2010	\$ 484,530	\$ 191,204
Change in Fund Structure	6,762	(6,762)
Restated Fund Balance at June 30, 2010	\$ 491,292	\$ 184,442

NOTE 5 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund, and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Inventories	\$ -	\$ 4,742	\$ 4,742
Prepaid	2,219	-	2,219
<i>Total Nonspendable</i>	<u>2,219</u>	<u>4,742</u>	<u>6,961</u>
<i>Restricted for</i>			
Set-Asides	122,118	-	122,118
Unclaimed Funds	648	-	648
Capital Improvements	-	192,664	192,664
Auxillary Services	-	5,338	5,338
Management Information System	-	5,235	5,235
Special Education	-	26,774	26,774
Fiscal Stabilization	-	961	961
District Managed Student Activities	-	4,302	4,302
Race to the Top	-	2,544	2,544
Improving Teacher Quality	-	397	397
Vocational Education	-	2,330	2,330
Other Grants	-	484	484
<i>Total Restricted</i>	<u>122,766</u>	<u>241,029</u>	<u>363,795</u>
<i>Assigned to</i>			
Public School	6,762	-	6,762
Other Purposes	16,312	-	16,312
<i>Total Assigned</i>	<u>23,074</u>	<u>-</u>	<u>23,074</u>
<i>Unassigned (Deficit)</i>	590,128	(5,700)	584,428
Total Fund Balances	<u>\$ 738,187</u>	<u>\$ 240,071</u>	<u>\$ 978,258</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$174,793. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2011, the District's bank balance of \$214,351 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 Months or Less</u>
STAR Ohio	<u>\$ 1,283,734</u>	<u>\$ 1,283,734</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District’s investments in STAR Ohio were assigned an AAAM money market rating from Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,283,734</u>	<u>100.00%</u>

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of June 30, 2011:

<u>Cash and Investments Per Note</u>	
Carrying Amount of Deposits	\$ 174,793
Investments	1,283,734
Cash on Hand	<u>2,150</u>
Total	<u><u>\$ 1,460,677</u></u>
<u>Cash, Cash Equivalents, and Investments Per Statement of Net Assets</u>	
Governmental Activities	\$ 1,258,076
Private-Purpose Trust Fund	152,519
Agency Fund	<u>50,082</u>
Total	<u><u>\$ 1,460,677</u></u>

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental Funds from General Fund	\$ 761

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are

NOTE 8 - PROPERTY TAXES (Continued)

established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Huron County and Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2011 was \$297,676 in the General Fund and \$9,850 in the Permanent Improvement Capital Projects Fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2010 was \$240,813 in the General Fund and \$7,948 in the Permanent Improvement Capital Projects Fund (a nonmajor governmental fund).

NOTE 8 - PROPERTY TAXES (Continued)

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Rsidential and Other Real Estate	\$ 84,383,880	97.82	\$ 84,543,420	97.75
Public Utility Personal	1,876,880	2.18	1,949,510	2.25
Total	\$ 86,260,760	100.00	\$ 86,492,930	100.00
 Tax Rate Per \$1,000 of Assessed Valuation	 \$ 42.80		 \$ 35.80	

NOTE 9 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<u>Governmental Activities</u>	
Taxes	\$ 2,688,952
Accounts	945
Intergovernmental	3,013
Accrued Interest	272
Total	\$ 2,693,182

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

NOTE 10 - CAPITAL ASSETS

A. Activity

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
<u>Governmental Activities</u>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 302,965	\$ -	\$ -	\$ 302,965
<i>Total Capital Assets, Not Being Depreciated</i>	302,965	-	-	302,965
 <i>Capital Assets, Being Depreciated</i>				
Land Improvements	207,682	-	-	207,682
Buildings and Improvements	2,575,874	-	-	2,575,874
Furniture and Equipment	1,405,509	202,102	-	1,607,611
Vehicles	561,897	89,791	-	651,688
<i>Total Capital Assets, Being Depreciated</i>	4,750,962	291,893	-	5,042,855
 Less Accumulated Depreciation:				
Land Improvements	(156,171)	(9,058)	-	(165,229)
Buildings and Improvements	(1,572,623)	(63,303)	-	(1,635,926)
Furniture and Equipment	(1,148,367)	(104,453)	-	(1,252,820)
Vehicles	(438,884)	(30,059)	-	(468,943)
<i>Total Accumulated Depreciation</i>	(3,316,045)	(206,873)	-	(3,522,918)
 Governmental Activities Capital Assets, Net	 \$ 1,737,882	 \$ 85,020	 \$ -	 \$ 1,822,902

B. Depreciation

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction</u>	
Regular	\$ 104,718
Special	9,292
Vocational	5,493
 <u>Support Services</u>	
Pupil	321
Instructional Staff	21,980
Board of Education	28
Administration	4,176
Fiscal	543
Business	299
Operations and Maintenance	24,865
Pupil Transportation	31,008
Food Service Operation	4,150
Total Depreciation Expense	\$ 206,873

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During current and prior fiscal years, the District entered into capitalized leases for copiers, equipment, busses, and computers. These lease agreements met the criteria of a capital lease as defined by FASB Statement 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 fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of office equipment and busses have been capitalized in the amount of \$269,293. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 for equipment was \$77,464 leaving a current book value of \$191,829. Principal payments in fiscal year 2011 totaled \$53,903 paid by the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2011:

Fiscal Year Ending June 30,	Amount
2012	\$ 59,721
2013	56,625
2014	21,446
2015	19,442
Total minimum lease payment	157,234
Less: amount representing interest	(13,478)
Total	\$ 143,756

NOTE 12 - LONG-TERM OBLIGATIONS

A. Changes in Governmental Activities Long-Term Obligations

During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance as of 6/30/10	Additions	Deletions	Balance as of 6/30/11	Amount Due in One year
General Obligation Bonds	\$ -	\$ 770,000	\$ -	\$ 770,000	\$ 46,335
Capital Leases	107,868	89,791	53,903	143,756	52,917
Compensated Absences	304,700	61,668	49,330	317,038	32,214
Total	\$ 412,568	\$ 921,459	\$ 103,233	\$ 1,230,794	\$ 131,466

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

A. Changes in Governmental Activities Long-Term Obligations (Continued)

Compensated absences will be paid from the funds which the employees are paid, which for the District, is the General Fund and the Food Service Fund (a nonmajor governmental fund).

See Note 11 for detail on the District’s capital lease obligations.

General Obligation Bonds

On October 28, 2010, the District issued \$770,000 in voted general obligation bonds which are comprised of serial bonds. The bonds bear an annual interest rate of 6.82 percent and mature February 1, 2026. These bonds consisted of Qualified School Construction Bonds (QSCBs). The QSCBs were authorized by the federal government through ARRA. These bonds were issued as tax credit bonds under which the bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer’s interest cost.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2011 are as follows:

	General Obligation Bonds	
	Principal	Interest
2012	\$ 46,335	\$ 65,497
2013	47,335	49,354
2014	48,335	46,126
2015	49,335	42,830
2016	50,335	39,464
2017-2021	256,675	145,558
2022-2026	271,650	56,260
Total	\$ 770,000	\$ 445,089

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$7,014,364, an unvoted debt margin of \$86,493.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

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

B. Health Care Benefits

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

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

C. Workers' Compensation Plan

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per 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 on the SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 14 - PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care Fund and the Medicare Part B Fund. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$105,568, \$102,675, and \$74,626 respectively; 51.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan Member with five or more years of credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

NOTE 14 - PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy - For the fiscal year ended June 30, 2011, members were required to contribute 10 percent of their annual covered salaries and the School District was required to contribute 14 percent. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14 percent contributed by the District, 13 percent was used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$402,416, \$408,871, and \$400,099, respectively; 82.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$13,256 made by the School District and \$9,469 made by the plan members.

NOTE 15 – POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – In addition to a cost-sharing employer defined benefit pension plan SERS administers two post-employment benefit plans. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Retirement Board establishes rules for premiums paid by retirees for health care coverage for themselves and their dependents and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - The Medicare Part B Plan reimburses premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent. For the fiscal years ended June 30, 2011, 2010, and 2009, the District's contributions to Medicare Part B Plan were \$6,794, \$6,106, and \$6,157, respectively; 51.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 – POST-EMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employers' 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal years ended June 30, 2011, 2010, and 2009, the District's contributions to the Health Care Plan, including the surcharge, were \$14,925, \$15,050, and \$50,222, respectively. 51.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans. The SERS Retirement Board establishes the rules for premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

B. State Teachers Retirement System of Ohio

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

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contribution equal to 1 percent of covered payroll to the Health Care Stabilization Fund. District's contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$30,955, \$31,452, and \$30,777, respectively; 82.92 percent has been contributed for 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to being a part of restricted, committed, or assigned fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance	
	General Fund
Budget Basis	\$ (10,136)
Net adjustment for revenue accrual	264,488
Net adjustment for expenditure accrual	(104,194)
Net adjustment for other sources/uses	66,821
GASB 54 reclassification of funds	1,887
Adjustment for encumbrances	28,029
GAAP Basis	<u><u>\$ 246,895</u></u>

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 18 - STATUTORY RESERVES

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

During fiscal year ended June 30, 2011, the reserve activity was as follows:

	Instructional Materials/ Textbooks	Capital Maintenance Reserve
Set-Aside Balance as of June 30, 2010	\$ (262,864)	\$ 91,238
Current Year Set-Aside Requirement	97,274	97,274
Current Year Qualifying Expenditures	(167,152)	(2,246)
Current Year Offsets	-	(69,383)
Total	\$ (332,742)	\$ 116,883
Balance Carried Forward to Fiscal Year 2012	\$ -	\$ 116,883

The District had qualifying disbursements during the year that reduced the textbooks/instructional materials set-aside amounts below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal years.

NOTE 18 - STATUTORY RESERVES (Continued)

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2011 follows:

Amount Restricted for School Bus Purchases	\$ 5,235
Amount Restricted for Capital Acquisition	116,883
Total Restricted Assets	\$ 122,118

NOTE 19 – INCOME TAX

The District has authorized, through voter approval, an annual 1.5 percent school district income tax levied on the income of individuals and estates. The tax is to be used for normal operating expenses of the District and is credited to the General Fund. The income tax revenue credited to the General Fund during fiscal year 2011 was \$851,489.

NOTE 20 – OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of Jun 30, 2011, the District’s commitments for encumbrances in the governmental funds were as follows

	Encumbrances Outstanding
General	\$ 16,634
Nonmajor Governmental	67,434
Total	\$ 84,068

SUPPLEMENTARY DATA

**MONROEVILLE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(D) (E) National School Lunch Program	10.555	2011	\$ 80,426	\$ 80,426
(C) (D) National School Lunch Program - Food Donation	10.555	2011	11,894	11,894
Total National School Lunch Program			<u>92,320</u>	<u>92,320</u>
(D) (E) Special Milk Prgram for Children	10.556	2011	624	624
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>92,944</u>	<u>92,944</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2010	1,347	2,721
(F) Title I Grants to Local Educational Agencies	84.010	2011	84,479	76,725
Total Title I Grants to Local Educational Agencies			<u>85,826</u>	<u>79,446</u>
(F) (I) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(8,398)	5,192
(F) (I) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	13,459	-
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>5,061</u>	<u>5,192</u>
Total Title I Grant Cluster			<u>90,887</u>	<u>84,638</u>
Special Education Grant Cluster:				
(G) (I) Special Education_Grants to States	84.027	2010	16,943	3,682
(G) (I) Special Education_Grants to States	84.027	2011	170,632	153,092
Total Special Education _Grants to States			<u>187,575</u>	<u>156,774</u>
(G) (I) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	5,364	4,364
(G) (I) ARRA - Special Education_Grants to States, Recovery Act	84.391	2011	70,580	5,724
Total ARRA - Special Education _Grants to States, Recovery Act			<u>75,944</u>	<u>10,088</u>
Total Special Education Grant Cluster			<u>263,519</u>	<u>166,862</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	1,288	-
Total Safe and Drug-Free Schools and Communities_State Grants			<u>1,288</u>	<u>-</u>
(I) Educational Technology State Grants	84.318	2010	(81)	-
(I) Educational Technology State Grants	84.318	2011	508	464
Total Educational Technology State Grants			<u>427</u>	<u>464</u>
Improving Teacher Quality State Grants	84.367	2010	3,605	-
Improving Teacher Quality State Grants	84.367	2011	18,865	18,462
Total Improving Teach Quality State Grants			<u>22,470</u>	<u>18,462</u>
(H) Rural Education	84.358	N/A	39,096	38,507
Total Rural Education State Grants			<u>39,096</u>	<u>38,507</u>
ARRA - Race to the Top, Recovery Act	84.395	2011	44,753	14,381
Total ARRA - Race to the Top, Recovery Act			<u>44,753</u>	<u>14,381</u>
ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act	84.394	2010	-	5,913
ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act	84.394	2011	172,585	155,198
Total ARRA - State Fiscal Stabilization Fund (SFSF) Grants			<u>172,585</u>	<u>161,111</u>
Total U.S. Department of Education			<u>635,025</u>	<u>484,425</u>
Total Federal Financial Assistance			<u>\$ 727,345</u>	<u>\$ 577,369</u>

-Continued

**MONROEVILLE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) This grant was direct from the U.S. Department of Education
- (I) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84.027	2010	\$ 10,367	
Special Education_Grants to States	84.027	2011		\$ 10,367
ARRA -Special Education Grants to States, Recovery Act	84.391	2010	16,000	
ARRA -Special Education Grants to States, Recovery Act	84.391	2011		16,000
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	8,398	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		8,398
Educational Technology State Grants	84.318	2010	81	
Educational Technology State Grants	84.318	2011		81
Totals			\$ 34,846	\$ 34,846



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Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by *Government Auditing Standards*

Monroeville Local School District
101 West Street
Monroeville, Ohio 44847

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Monroeville Local School District's basic financial statements and have issued our report thereon dated December 22, 2011. We noted that the Monroeville Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroeville Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Monroeville Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Monroeville Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Monroeville Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education
Monroeville Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Monroeville Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Monroeville Local School District, federal awarding agencies and pass-through entities, and others within the Monroeville Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 22, 2011



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Monroeville Local School District
101 West Street
Monroeville, Ohio 44847

To the Board of Education:

Compliance

We have audited the compliance of the Monroeville Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Monroeville Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Monroeville Local School District's major federal programs. The Monroeville Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Monroeville Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Monroeville Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Monroeville Local School District's compliance with those requirements.

In our opinion, the Monroeville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as finding 2011-MLSD-001.

Internal Control Over Compliance

The Monroeville Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Monroeville Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Monroeville Local School District's internal control over compliance.

Board of Education
Monroeville Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Monroeville Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Monroeville Local School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and Board of Education of the Monroeville Local School District, federal awarding agencies and pass-through entities, and others within the Monroeville Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 22, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education Grants to States, CFDA #84.027; ARRA-Special Education Grants to States, Recovery Act, CFDA #84.391; ARRA-State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-MLSD-001
CFDA Title and Number	ARRA - State Fiscal Stabilization Fund (SFSF) - Educational States Grants, Recovery Act (CFDA #84.394)
Federal Award Number/Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding

34 CFR 80.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used.

At fiscal year end, the District had \$17,551 of State Fiscal Stabilization Funds (SFSF) grants monies on hand. This amount exceeds their last advance from the Ohio Department of Education through the foundation settlement.

The District is not using effective cash management practices which could result in reduction of grant funding, return of grant funding, and/or payment of imputed interest of \$25 to the United States Department of Education.

We recommend that the District review Office of Management and Budget Circular A-133 regarding cash management requirements. We also recommend the District consult with Ohio Department of Education regarding the preferred method of disposition of the unspent grant funds. This will help to ensure compliance with cash management of Federal award programs and that proper action is taken.

Client Response: Compliance with all regulations and grant agreements is highly important to the District. As the SFSF program got close to the end of the program, the Treasurer received conflicting information and guidance which caused the noncompliance. Since the program no longer exists, the District shouldn't have any further issues.



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Independent Accountants' Report on Applying Agreed-Upon Procedure

Board of Education
Monroeville Local School District
101 West Street
Monroeville, OH 44847

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Monroeville Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 23, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 22, 2011

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Dave Yost • Auditor of State

MONROEVILLE LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2012**