



**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) – All Governmental Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance – All Proprietary and Similar Fiduciary Fund Types	12
Combined Statement of Cash Flows – All Proprietary and Similar Fiduciary Fund Types	13
Notes to the General-Purpose Financial Statements	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	41

This page intentionally left blank.



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

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Monroeville Local School District, Huron County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Monroeville Local School District, Huron County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 16, 2001

This page intentionally left blank.

This page intentionally left blank.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$1,662,037	\$117,051	\$23,206	\$29,610
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	2,043,515			74,923
Accounts	149	66		
Accrued interest	7,642			
Interfund loan receivable	17,710			
Prepayments	8,549			
Materials and supplies inventory	12,952			
Due from other governments	550	17,710		
Restricted assets:				
Equity in pooled cash and cash equivalents	100,480			
Property, plant and equipment (net of accumulated of accumulated depreciation where depreciation where applicable)				
Other debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$3,853,584	\$134,827	\$23,206	\$104,533

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$107,603	\$183	\$39,266			\$1,978,956
		20,306			20,306
701					2,118,438
		588			916
					8,230
					17,710
					8,549
7,117					20,069
48					18,308
					100,480
11,748			\$2,429,706		2,441,454
				\$23,206	23,206
				400,217	400,217
<u>\$127,217</u>	<u>\$183</u>	<u>\$60,160</u>	<u>\$2,429,706</u>	<u>\$423,423</u>	<u>\$7,156,839</u>

(Continued)

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$23,778	\$37,565		
Accrued wages and benefits	355,643	20,217		
Compensated absences payable	5,368			
Pension obligation payable	57,280	1,438		
Interfund loan payable		17,710		
Deferred revenue	1,590,950			\$58,058
Deposits held and due to others				
Due to students				
Energy conservation notes payable				
General obligation bonds payable				
Total liabilities	2,033,019	76,930		58,058
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	95,071	25,903		17,647
Reserved for supplies inventory	12,952			
Reserved for prepayments	8,549			
Reserved for debt service			\$23,206	
Reserved for tax revenue unavailable for appropriation	460,207			16,865
Reserved for principal endowment				
Reserved for budget stabilization	81,984			
Reserved for textbooks	18,496			
Unreserved-undesignated	1,143,306	31,994		11,963
Total equity and other credits	1,820,565	57,897	23,206	46,475
Total liabilities, equity and other credits	\$3,853,584	\$134,827	\$23,206	\$104,533

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
					\$61,343
\$14,396					390,256
5,397				\$192,855	203,620
7,608				29,153	95,479
					17,710
6,257					1,655,265
		\$4,836			4,836
		32,180			32,180
				181,415	181,415
				20,000	20,000
<u>33,658</u>		<u>37,016</u>		<u>423,423</u>	<u>2,662,104</u>
			\$2,429,706		2,429,706
93,559	\$183				93,742
					138,621
					12,952
					8,549
					23,206
					477,072
		10,500			10,500
					81,984
					18,496
		<u>12,644</u>			<u>1,199,907</u>
<u>93,559</u>	<u>183</u>	<u>23,144</u>	<u>2,429,706</u>		<u>4,494,735</u>
<u>\$127,217</u>	<u>\$183</u>	<u>\$60,160</u>	<u>\$2,429,706</u>	<u>\$423,423</u>	<u>\$7,156,839</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$2,208,227	
Tuition	1,866	
Earnings on investments	102,768	\$1,606
Other local revenues	61,651	88,325
Intergovernmental - State	1,965,344	134,968
Intergovernmental - Federal		88,344
	4,339,856	313,243
Expenditures:		
Current:		
Instruction:		
Regular	1,670,489	111,092
Special	179,705	68,085
Vocational	159,818	
Other	30,204	
Support services:		
Pupil	69,575	1,081
Instructional staff	127,242	
Board of Education	6,919	228
Administration	472,990	3,061
Fiscal	162,412	5,363
Business	86,368	
Operations and maintenance	365,628	
Pupil transportation	221,141	
Central	1,176	2,677
Community services		69,105
Extracurricular activities	109,401	69,759
Facilities services		181,414
Debt service:		
Principal retirement		
Interest and fiscal charges	4,988	
	3,668,056	511,865
Excess (deficiency) of revenues over (under) expenditures	671,800	(198,622)
Other financing sources (uses):		
Proceeds from sale of assets	659	
Proceeds of notes		181,415
Operating transfers in	1,529	
Operating transfers out		
	2,188	181,415
Excess (deficiency) of revenues and other financing sources over (under) expenditures	673,988	(17,207)
Fund balance, July 1	1,148,460	75,104
Decrease in reserve for inventory	(1,883)	
Fund balance, June 30	\$1,820,565	\$57,897

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$8,234	\$95,242		\$2,311,703
			1,866
			104,374
		\$6,224	156,200
1,547	7,902		2,109,761
			88,344
9,781	103,144	6,224	4,772,248
	8,260		1,789,841
			247,790
			159,818
			30,204
		4,794	75,450
			127,242
			7,147
			476,051
238	1,616	201	169,830
			86,368
			365,628
			221,141
			3,853
			69,105
			179,160
	96,389		277,803
19,000			19,000
1,416			6,404
20,654	106,265	4,995	4,311,835
(10,873)	(3,121)	1,229	460,413
			659
			181,415
			1,529
		(1,529)	(1,529)
		(1,529)	182,074
(10,873)	(3,121)	(300)	642,487
34,079	49,596	2,550	1,309,789
			(1,883)
\$23,206	\$46,475	\$2,250	\$1,950,393

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$2,021,579	\$2,004,397	(\$17,182)			
Tuition		1,866	1,866			
Earnings on investments	70,000	102,814	32,814	\$500	\$1,606	\$1,106
Other local revenues	1,500	54,030	52,530	64,500	88,258	23,758
Intergovernmental - State	1,908,500	1,964,794	56,294	329,968	189,077	(140,891)
Intergovernmental - Federal				120,044	70,634	(49,410)
Total revenues	4,001,579	4,127,901	126,322	515,012	349,575	(165,437)
Expenditures:						
Current:						
Instruction:						
Regular	1,897,076	1,704,375	192,701	160,592	97,795	62,797
Special	219,455	176,991	42,464	77,421	74,796	2,625
Vocational	169,390	161,312	8,078			
Other	119,891	57,450	62,441			
Support services:						
Pupil	87,030	62,466	24,564	1,081	1,081	
Instructional staff	148,692	132,412	16,280	2,000	2,180	(180)
Board of Education	8,190	7,610	580	400	228	172
Administration	505,977	469,915	36,062	5,202	4,338	864
Fiscal	189,638	162,600	27,038	6,153	6,153	
Business	234,158	82,688	151,470			
Operations and maintenance	417,755	372,172	45,583			
Pupil transportation	330,949	236,786	94,163			
Central	5,000	1,175	3,825	3,266	2,674	592
Community services				97,739	74,576	23,163
Extracurricular activities	122,137	110,018	12,119	99,661	73,955	25,706
Facilities services				181,415	181,414	1
Debt service:						
Principal retirement						
Interest and fiscal charges	5,000	4,988	12			
Total expenditures	4,460,338	3,742,958	717,380	634,930	519,190	115,740
Excess (deficiency) of revenues over (under) expenditures	(458,759)	384,943	843,702	(119,918)	(169,615)	(49,697)
Other financing sources (uses):						
Refund of prior year's expenditures	6,000	7,872	1,872			
Operating transfers in	30,000	31,529	1,529		17,710	17,710
Operating transfers (out)	(47,710)	(47,710)				
Advances in	77,511	77,511				
Advances (out)	(10,000)		10,000	(77,511)	(77,511)	
Proceeds from Sale of Notes				181,415	181,415	
Proceeds of sale of fixed assets	150	658	508			
Total other financing sources (uses)	55,951	69,860	13,909	103,904	121,614	17,710
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(402,808)	454,803	857,611	(16,014)	(48,001)	(31,987)
Fund balance, July 1	1,092,260	1,092,260		96,639	96,639	
Prior year encumbrances appropriated	106,944	106,944		41,241	41,241	
Fund balance, June 30	\$796,396	\$1,654,007	\$857,611	\$121,866	\$89,879	(\$31,987)

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$23,537	\$11,006	(\$12,531)	\$89,734	\$87,676	(\$2,058)	\$2,134,850	\$2,103,079	(\$31,771)
							1,866	1,866
						70,500	104,420	33,920
						66,000	142,288	76,288
	1,547	1,547	8,900	7,902	(998)	2,247,368	2,163,320	(84,048)
						120,044	70,634	(49,410)
<u>23,537</u>	<u>12,553</u>	<u>(10,984)</u>	<u>98,634</u>	<u>95,578</u>	<u>(3,056)</u>	<u>4,638,762</u>	<u>4,585,607</u>	<u>(53,155)</u>
			16,099	16,099		2,073,767	1,818,269	255,498
						296,876	251,787	45,089
						169,390	161,312	8,078
						119,891	57,450	62,441
						88,111	63,547	24,564
						150,692	134,592	16,100
						8,590	7,838	752
550	238	312	1,700	1,616	84	511,179	474,253	36,926
						198,041	170,607	27,434
						234,158	82,688	151,470
						417,755	372,172	45,583
						330,949	236,786	94,163
						8,266	3,849	4,417
						97,739	74,576	23,163
						221,798	183,973	37,825
15		15	111,027	111,013	14	292,457	292,427	30
19,000	19,000					19,000	19,000	
1,416	1,416					6,416	6,404	12
<u>20,981</u>	<u>20,654</u>	<u>327</u>	<u>128,826</u>	<u>128,728</u>	<u>98</u>	<u>5,245,075</u>	<u>4,411,530</u>	<u>833,545</u>
<u>2,556</u>	<u>(8,101)</u>	<u>(10,657)</u>	<u>(30,192)</u>	<u>(33,150)</u>	<u>(2,958)</u>	<u>(606,313)</u>	<u>174,077</u>	<u>780,390</u>
						6,000	7,872	1,872
						30,000	49,239	19,239
						(47,710)	(47,710)	
						77,511	77,511	
						(87,511)	(77,511)	10,000
						181,415	181,415	
						150	658	508
						<u>159,855</u>	<u>191,474</u>	<u>31,619</u>
2,556	(8,101)	(10,657)	(30,192)	(33,150)	(2,958)	(446,458)	365,551	812,009
31,307	31,307		29,317	29,317		1,249,523	1,249,523	
			15,796	15,796		163,981	163,981	
<u>\$33,863</u>	<u>\$23,206</u>	<u>(\$10,657)</u>	<u>\$14,921</u>	<u>\$11,963</u>	<u>(\$2,958)</u>	<u>\$967,046</u>	<u>\$1,779,055</u>	<u>\$812,009</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS)/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$17,470			\$17,470
Sales/charges for services	145,445	\$2,072		147,517
Investment earnings			\$588	588
Other operating revenues			10,000	10,000
Total operating revenues	<u>162,915</u>	<u>2,072</u>	<u>10,588</u>	<u>175,575</u>
Operating expenses:				
Personal services	102,433			102,433
Contract services	2,612	1,000	790	4,402
Materials and supplies	125,856	1,248		127,104
Depreciation	568			568
Total operating expenses	<u>231,469</u>	<u>2,248</u>	<u>790</u>	<u>234,507</u>
Operating income (loss)	<u>(68,554)</u>	<u>(176)</u>	<u>9,798</u>	<u>(58,932)</u>
Nonoperating revenues:				
Operating grants	44,685			44,685
Investment earnings	4,628			4,628
Federal Donated Commodities	20,680			20,680
Total nonoperating revenues	<u>69,993</u>			<u>69,993</u>
Net income (loss)	1,439	(176)	9,798	11,061
Retained earnings/fund balance, July 1	<u>92,120</u>	<u>359</u>	<u>11,096</u>	<u>103,575</u>
Retained earnings/fund balance, June 30	<u>\$93,559</u>	<u>\$183</u>	<u>\$20,894</u>	<u>\$114,636</u>

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees	\$16,941			\$16,941
Cash received from sales/service charges	145,506	\$2,072		147,578
Cash received from other operations			\$10,000	10,000
Cash payments for personal services	(98,365)			(98,365)
Cash payments for contract services	(2,612)	(1,000)	(790)	(4,402)
Cash payments supplies and materials	(106,444)	(1,248)		(107,692)
Net cash provided (used) by operating activities	(44,974)	(176)	9,210	(35,940)
Cash flows from noncapital financing activities:				
Cash received from operating grants	44,637			44,637
Cash flows from investing activities:				
Interest on cash equivalents	4,628			4,628
Net increase (decrease) in cash and cash equivalents	4,291	(176)	9,210	13,325
Cash and cash equivalents at beginning of year	103,312	359	11,096	114,767
Cash and cash equivalents at end of year	<u>\$107,603</u>	<u>\$183</u>	<u>\$20,306</u>	<u>\$128,092</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$68,554)	(\$176)	\$9,798	(\$58,932)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	568			568
Federal donated commodities	20,680			20,680
Changes in assets and liabilities:				
Decrease in supplies inventory	627			627
Increase in accrued interest			(588)	(588)
Increase in accounts receivable	(468)			(468)
Decrease in accounts payable	(1,869)			(1,869)
Increase in accrued wages & benefits	1,932			1,932
Decrease in compensated absences payable	(249)			(249)
Increase in pension obligation payable	2,385			2,385
Decrease in deferred revenue	(26)			(26)
Net cash provided (used) by operating activities	<u>(\$44,974)</u>	<u>(\$176)</u>	<u>\$9,210</u>	<u>(\$35,940)</u>

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

This page intentionally left blank.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 562nd largest by enrollment among the 660 public and community school districts in the State, and the smallest in Huron County. It currently operates one elementary school and one comprehensive high school. The District employs 27 non-certified and 48 certified employees to provide services to 745 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Jointly Governed Organizations:

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven 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 one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting the Erie-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

EHOVE Joint Vocational School

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

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among 41 school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District made payments totaling \$6,607 during fiscal year 2000 to NOECA for computer services.

Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Michele Zeedyk, who serves as treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Related Organization:

Monroeville Public Library

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

The District also participates in two insurance group purchasing pools, described in Note 10.

B. Fund Accounting

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

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

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. Proprietary Funds

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

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

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

3. Fiduciary Funds

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

4. Account Groups

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

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and Expendable Trust funds are accounted for using

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds and Nonexpendable Trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current and delinquent property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

	<u>Increase</u>
General Fund	\$86,453
Special Revenue Funds	444,589
Enterprise Funds	2,637
Expendable Trust Fund	1,829

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 11 to the financial statements.

E. Cash and Investments

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

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The District assigns all investment earnings to the General Fund except those specifically related to the Auxiliary Services Fund, Nonexpendable Trust Funds, and the Food Service Fund. The following funds were credited more interest than would have been received based upon their share of the District's investments during fiscal 2000:

	Interest Actually Received	Interest Based Upon Share of Investments	Interest Assigned From Other Funds
General Fund	\$102,768	\$88,572	\$14,196
<u>Special Revenue Fund</u>			
Auxiliary Services Fund	1,606	1,328	278

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

F. Inventory

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

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

G. Prepays

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the General Fixed Assets Account

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds and Nonexpendable Trust Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful life of the related fixed asset. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	15 - 20

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as non-operating revenues in the accounting period in which they are measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
Title VI-B
Title I
Title VI
Drug-Free School
Ohio Reads
Summer Intervention
Title II

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Goals 2000
Continuous Improvement Development
Auxiliary Services
Title VI-R

Capital Projects Funds
SchoolNet

Reimbursable Grants

General Fund
School Bus Purchases

Proprietary
National School Lunch Program
National School Milk Program

Grants and entitlements amounted to approximately 45% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

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

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

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

K. Long-Term Obligations

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

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

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, consumable inventory, budget stabilization, textbook set aside, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Statutory Reserves

The District is required by state law to set aside certain (cash basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Balance as of June 30, 1999			\$50,525	\$ 50,525
Required Set-aside	\$94,376	\$94,376	31,459	220,211
Offset Credits		(73,566)		(73,566)
Qualifying Disbursements	<u>(75,880)</u>	<u>(111,012)</u>		<u>(186,892)</u>
Total	<u>\$18,496</u>	<u>(\$90,202)</u>	<u>\$81,984</u>	<u>\$10,278</u>
Carried Forward to FY 1999	<u>\$18,496</u>		<u>\$81,984</u>	<u>\$100,480</u>

Although the District had offsets and qualifying disbursements for the capital acquisition reserve during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next year.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

A schedule of the restricted assets at June 30, 2000 follows:

Amount Restricted for Budget Stabilization	\$81,984
Amount Restricted for Budget Stabilization	<u>18,496</u>
Total	<u><u>\$100,480</u></u>

N. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. The District has reported interfund loans outstanding at June 30, 2000.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

O. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. 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.

R. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. M. for statutory reserves.

S. Estimates

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

T. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Deficit fund balances at June 30, 2000 included the following individual fund deficits:

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Title I	\$ (5,886)
Miscellaneous Federal Grants	(40)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

B. Agency Funds

The following are accruals for the agency fund, which, in another fund type, would be recognized on the combined balance sheet:

Assets

Accounts receivable	\$94
---------------------	------

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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

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

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

Deposits: At year-end the carrying amount of the District's deposits was \$205,749 and the bank balance was \$218,502 (both exclusive of payroll clearance accounts, and both including \$170,000 in non-negotiable certificates of deposit). Of the bank balance:

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

- A. \$168,502 was covered by federal depository insurance.
- B. \$50,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by FDIC.

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

	<u>Fair Value</u>
Not Subject to Categorization:	
Investment in State Treasurer's Investment Pool	<u>\$1,893,843</u>

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

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

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$2,099,742	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(1,893,843)	\$1,893,843
Cash on Hand	(150)	
GASB Statement No. 3	<u>\$205,749</u>	<u>\$1,893,843</u>

5. INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
General Fund	\$17,710	
Special Revenue Funds:		
Title VI		(\$1,635)
Title VI-B		(16,075)
Totals	<u>\$17,710</u>	<u>(\$17,710)</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

B. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	Transfers In	Transfers (Out)
General Fund	\$1,529	
Expendable Trust Funds:		
Unclaimed Funds		(\$1,529)
Totals	\$1,529	(\$1,529)

6. PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

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

The assessed values upon which the fiscal year 2000 taxes were collected were as follows:

	1999 Second-half Collections		2000 First-half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,050,230	81.30%	\$49,487,390	82.58%
Public Utility Personal	3,556,320	6.00%	3,237,540	5.40%
Tangible Personal Property	7,512,380	12.70%	7,200,000	12.02%
	\$59,118,930	100.00%	\$59,924,930	100.00%
Tax rate per \$1,000 of assessed valuation:				
Operations	\$45.10		\$49.11	
Debt Service	0.40		0.40	
Permanent Improvement	1.80		1.80	

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 2000 totaled \$460,207 in the General fund and \$16,865 in the Permanent Improvement fund.

7. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). 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 follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$2,043,515
 <u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	74,923
 <u>Special Revenue Funds</u>	
Intergovernmental Receivable	17,710

8. FIXED ASSETS

For the year ended June 30, 2000, the following correction of an error has resulted in a restatement of furniture/equipment in the General Fixed Asset Account Group.

	<u>Balance</u> <u>July 1, 1999</u>	<u>Correction of</u> <u>Error</u>	<u>Restated</u> <u>Balance</u> <u>July 1, 1999</u>
Furniture/Equipment:			
To correct error in recording of furniture and equipment	\$1,553,709	(\$807,458)	\$746,251

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

The error was due to the duplicate recording of furniture and equipment.

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

Asset Category	Balance at 7/1/99	Additions	Deletions	Balance at 6/30/00
Land/Improvements	\$16,100			\$16,100
Buildings/Improvements	1,332,917	\$650		1,333,567
Furniture/Equipment	746,251	53,598	\$33,805	766,044
Vehicles	313,995			313,995
Total	\$2,409,263	\$54,248	\$33,805	\$2,429,706

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$58,637
Less: Accumulated Depreciation	46,889
Net Fixed Assets	\$11,748

9. LONG-TERM OBLIGATIONS

A. The General obligation bonds are voted issues for the Monroeville Public Library's improvement projects. The District services the Library's debt in accordance with Ohio statute. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from a .40 mill library tax levied on all taxable property in the District. Accordingly, such unmatured obligations are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund.

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

B. The following is a description of the District's note and bond outstanding as of June 30, 2000:

	Interest Rates	Issue Date	Maturity Date	Balance at 7/1/99	Issued in Fiscal 2000	Retired in Fiscal 2000	Balance at 6/30/00
School Energy Conservation Note	5.50%	11/1/99	11/1/09		\$181,415		\$181,415
General Obligation Bond (Library)	6.25%	11/1/87	12/1/00	\$39,000		\$19,000	20,000
Total				\$39,000	\$183,415	\$19,000	\$201,415

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

- C. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30	Principal on General Obligation Library Bonds	Interest on General Obligation Library Bonds	Principal on Energy Conservation Loan	Interest on Energy Conservation Loan	Total
2001	\$20,000	\$480	\$14,090	\$9,590	\$44,160
2002			14,865	8,794	23,659
2003			15,683	7,954	23,637
2004			16,545	7,068	23,613
2005			17,455	6,133	23,588
2006-2009			102,777	14,736	117,513
Total	<u>\$20,000</u>	<u>\$480</u>	<u>\$181,415</u>	<u>\$54,275</u>	<u>\$256,170</u>

- D. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance at 7/1/99	Increase	Decrease	Balance at 6/30/00
Compensated Absences	\$189,628	\$59,061	\$55,834	\$192,855
Pension Obligation	23,078	29,153	\$23,078	29,153
General Obligation Library Bond	39,000		19,000	20,000
Energy Conservation Note		181,415		181,415
Total	<u>\$251,706</u>	<u>\$269,629</u>	<u>\$97,912</u>	<u>\$423,423</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$5,416,450 (including available funds of \$23,206), an unvoted debt margin of \$59,925, and an unvoted energy conservation debt margin of \$357,909.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reductions in amounts of insurance coverage from 1999.

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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

OSBA Worker's Compensation Group Rating

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the 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 of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

11. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Total</u>
Operating Revenue	\$145,145	\$17,770	\$162,915
Depreciation Expense	568		568
Operating Loss	(67,003)	(1,551)	(68,554)
Non-Operating Revenues:			
Operating Grants	44,685		44,685
Donated Federal Commodities	20,680		20,680
Net Income (Loss)	2,990	(1,551)	1,439

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Total</u>
Net Working Capital	68,013	13,798	81,811
Total Assets	113,419	13,798	127,217
Long-Term Liabilities			
Payable from Fund Revenues	8,091		8,091
Total Fund Equity	79,761	13,798	93,559
Encumbrances Outstanding at June 30, 2000	480	952	1,432

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$81,992, \$82,380 and \$63,395, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$41,028, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

for the fiscal years ended June 30, 2000, 1999, and 1998 were \$289,206, \$257,678, and \$234,724, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$46,680, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$165,260 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District,

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

the amount to fund health care benefits, including the surcharge, equaled \$54,888 during the 2000 fiscal year.

14. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$454,803	(\$48,001)	(\$8,101)	(\$33,150)
Net adjustment for revenue accruals	211,955	(36,332)	(2,772)	7,566
Net adjustment for expenditure accruals	(33,608)	(19,847)		4,816
Net adjustment for other financing sources/(uses)	(67,672)	59,801		
Adjustment for encumbrances (Budget Basis)	108,510	27,172		17,647
GAAP Basis	\$673,988	(\$17,207)	(\$10,873)	(\$3,121)

15. CONTINGENT LIABILITIES

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$1,629,988 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

This page intentionally left blank.



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

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of Monroeville Local School District, Huron County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 16, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 16, 2001.

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

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

Jim Petro
Auditor of State

January 16, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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 06, 2001**