

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

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

MICHAEL WADE, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Monroeville Local School District, Huron County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 2, 2015

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Monroeville Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the Monroeville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Monroeville Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 18, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The discussion and analysis of the Monroeville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance. .

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities decreased \$402,128 which represents a 28.35% decrease from 2013.
- General revenues accounted for \$6,027,469 in revenue or 78.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,609,598 or 21.08% of total revenues of \$7,637,067.
- The District had \$8,039,195 in expenses related to governmental activities; \$1,609,598 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,027,469 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the building fund. The general fund had \$6,531,481 in revenues and \$6,729,453 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance decreased \$197,972 from \$406,164 to \$208,192.
- The building fund had \$5,211 in revenues and \$3,794,242 in expenditures. During fiscal year 2014, the building fund's fund balance decreased \$3,789,031 from \$4,165,029 to \$375,998. This decrease is due to the various construction projects throughout the District which took place during the fiscal year.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 4,376,228	\$ 8,177,113
Capital assets, net	<u>5,099,424</u>	<u>1,677,510</u>
Total assets	<u>9,475,652</u>	<u>9,854,623</u>
<u>Liabilities</u>		
Current liabilities	1,125,823	783,512
Long-term liabilities	<u>5,300,415</u>	<u>5,629,141</u>
Total liabilities	<u>6,426,238</u>	<u>6,412,653</u>
<u>Deferred inflows of resources</u>	<u>2,033,119</u>	<u>2,023,547</u>
<u>Net Position</u>		
Net investment in capital assets	593,671	591,702
Restricted	355,361	534,498
Unrestricted	<u>67,263</u>	<u>292,223</u>
Total net position	<u>\$ 1,016,295</u>	<u>\$ 1,418,423</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities plus deferred inflows of resources by \$1,016,295.

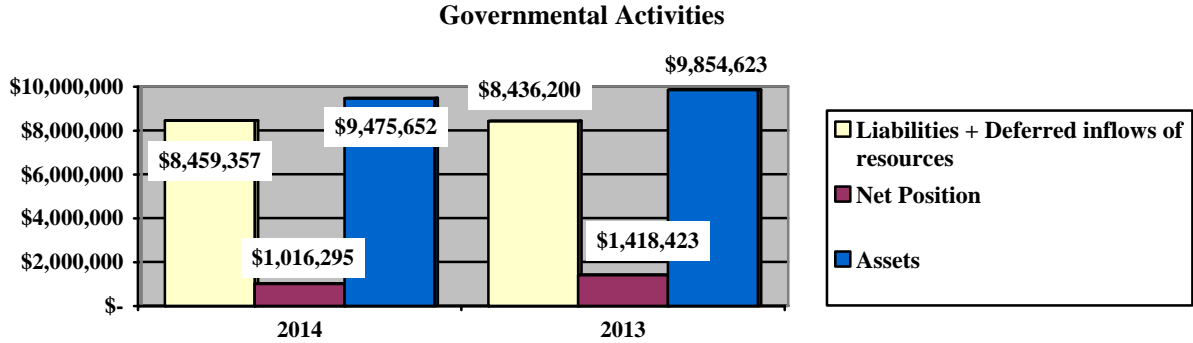
At year-end, capital assets represented 53.82% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$593,671. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$355,361, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$67,263 may be used to meet the District's ongoing obligations to the students and creditors. The significant change between current assets and capital assets is primarily due to the issuance of bonds during the fiscal year 2013 and additions to construction in progress during fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below illustrates the governmental activities assets, liabilities plus deferred inflows of resources, and net position at June 30, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

	<u>Change in Net Position</u>	
	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 847,310	\$ 775,820
Operating grants and contributions	762,288	603,971
General revenues:		
Property taxes	2,318,622	2,272,681
Income taxes	1,242,848	1,243,901
Grants and entitlements	2,449,224	2,365,775
Investment earnings	5,908	1,372
Other	10,867	34,631
Total revenues	<u>7,637,067</u>	<u>7,298,151</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,331,016	\$ 3,341,473
Special	930,646	752,986
Vocational	179,013	178,810
Support services:		
Pupil	258,998	242,904
Instructional staff	339,018	288,156
Board of education	7,558	19,670
Administration	615,468	591,974
Fiscal	348,853	273,785
Business	8,662	5,486
Operations and maintenance	808,040	568,785
Pupil transportation	404,561	416,591
Central	9,329	2,779
Operations of non-instructional services:		
Other non-instructional services	69,235	71,356
Food service operations	285,543	269,452
Extracurricular activities	228,936	215,962
Interest and fiscal charges	<u>214,319</u>	<u>209,537</u>
Total expenses	<u>8,039,195</u>	<u>7,449,706</u>
Change in net position	(402,128)	(151,555)
Net position at beginning of year	<u>1,418,423</u>	<u>1,569,978</u>
Net position at end of year	<u>\$ 1,016,295</u>	<u>\$ 1,418,423</u>

Governmental Activities

Net position of the District's governmental activities decreased \$402,128. Total governmental expenses of \$8,039,195 were offset by program revenues of \$1,609,598 and general revenues of \$6,027,469. Program revenues supported 20.02% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 78.70% of total governmental revenue.

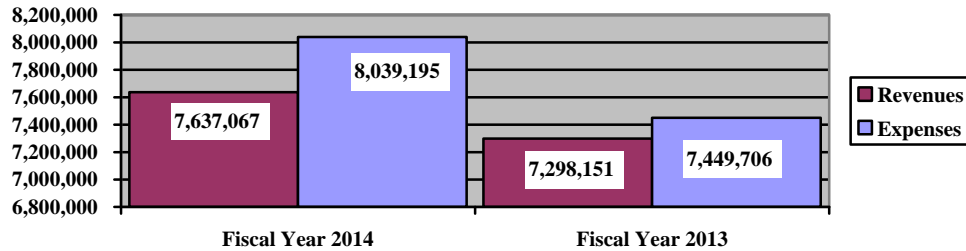
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,440,675 or 55.24% of total governmental expenses for fiscal 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



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

	Governmental Activities			
	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services
	2014	2014	2013	2013
Program expenses				
Instruction:				
Regular	\$ 3,331,016	\$ 2,663,009	\$ 3,341,473	\$ 2,738,873
Special	930,646	496,326	752,986	480,210
Vocational	179,013	157,456	178,810	153,932
Support services:				
Pupil	258,998	258,998	242,904	237,845
Instructional staff	339,018	270,927	288,156	245,817
Board of education	7,558	7,558	19,670	19,670
Administration	615,468	578,569	591,974	530,610
Fiscal	348,853	348,853	273,785	273,785
Business	8,662	8,662	5,486	5,486
Operations and maintenance	808,040	808,040	568,785	568,436
Pupil transportation	404,561	399,948	416,591	412,567
Central	9,329	8,508	2,779	558
Operations of non-instructional services:				
Other non-instructional services	69,235	(12,307)	71,356	(4,139)
Food service operations	285,543	59,906	269,452	37,899
Extracurricular activities	228,936	160,825	215,962	158,829
Interest and fiscal charges	214,319	214,319	209,537	209,537
Total expenses	\$ 8,039,195	\$ 6,429,597	\$ 7,449,706	\$ 6,069,915

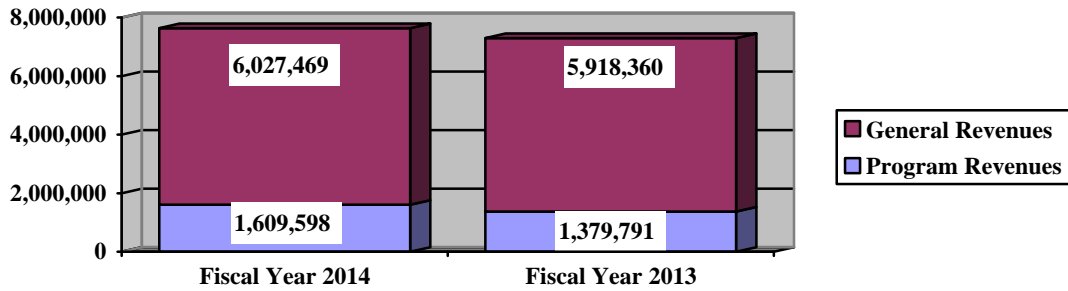
The dependence upon tax and other general revenues for governmental activities is apparent, 74.69% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.98%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$941,578, which is lower than last year's total of \$5,022,788. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013. This decrease is due to the various construction projects throughout the District which took place during the fiscal year.

	<u>Fund Balance June 30, 2014</u>	<u>Fund Balance June 30, 2013</u>	<u>(Decrease)</u>	<u>Percentage Change</u>
General fund	\$ 208,192	\$ 406,164	\$ (197,972)	(48.74) %
Building fund	375,998	4,165,029	(3,789,031)	(90.97) %
Nonmajor governmental funds	<u>357,388</u>	<u>451,595</u>	<u>(94,207)</u>	(20.86) %
Total	<u>\$ 941,578</u>	<u>\$ 5,022,788</u>	<u>\$ (4,081,210)</u>	(81.25) %

General Fund

The District's general fund balance decreased from the previous year by \$197,972. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,271,246	\$ 3,211,818	\$ 59,428	1.85 %
Tuition	567,572	537,174	30,398	5.66 %
Earnings on investments	1,253	821	432	52.62 %
Intergovernmental	2,594,088	2,470,426	123,662	5.01 %
Other revenues	<u>97,322</u>	<u>65,337</u>	<u>31,985</u>	48.95 %
Total	<u>\$ 6,531,481</u>	<u>\$ 6,285,576</u>	<u>\$ 245,905</u>	3.91 %
<u>Expenditures</u>				
Instruction	\$ 4,025,030	\$ 4,055,590	\$ (30,560)	(0.75) %
Support services	2,310,141	2,189,683	120,458	5.50 %
Non-instructional services	1,050	-	1,050	100.00 %
Extracurricular activities	154,707	149,440	5,267	3.52 %
Debt service	<u>158,025</u>	<u>189,480</u>	<u>(31,455)</u>	(16.60) %
Total	<u>\$ 6,648,953</u>	<u>\$ 6,584,193</u>	<u>\$ 64,760</u>	0.98 %

Revenues of the general fund remained comparable to the prior year with an increase of only 3.91%. The majority of this increase can be attributed to an increase of intergovernmental state revenue of \$126,207. Taxes also increased \$59,428 due to an increase in income taxes receivable. The income tax receipts were collected within the District's available period and recognized as revenue in fiscal year 2014.

In total, expenditures of the general fund only increased \$64,760 or 0.98%. The biggest variance was in the area of support service expenditures, specifically administration, operations and maintenance, and pupil transportation. These increases are primarily due to the rising costs of the District related to the start of various construction projects beginning throughout the District. The decrease in debt service expenditures is due a decrease in the amount of capital lease payments from the prior year.

Building Fund

The District's building fund balance decreased from the previous year by \$3,789,031. The building fund had \$5,211 in revenues and \$3,794,242 in expenditures. During fiscal year 2014, the building fund's fund balance decreased from \$4,165,029 to \$375,998. This decrease is due to the various construction projects throughout the District which took place during the fiscal year.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources amounted to \$6,326,594 and were increased to \$6,413,252 for the final budget. Actual revenues and other financing sources for fiscal 2014 was \$6,575,087. This represents a \$161,835 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,636,088 were increased to \$6,761,088 for the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$7,116,147, which was \$355,059 more than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the District had \$5,099,424 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2014 balances compared to 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 302,965	\$ 302,965
Construction in progress	3,535,000	-
Land improvements	33,432	37,968
Building and improvements	765,503	820,250
Furniture, fixtures and equipment	177,423	226,032
Vehicles	285,101	290,295
Total	\$ 5,099,424	\$ 1,677,510

The overall increase in capital assets of \$3,421,914 is due to capital outlays of \$3,609,102 exceeding depreciation expense of \$184,575 and disposals of \$2,613 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2014, the District had \$4,682,995 in general obligation bonds outstanding and \$87,849 in capital lease obligations. Of the outstanding obligations total, \$151,959 is due within one year and \$4,618,885 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2014	2013
General obligation bonds	\$ 4,682,995	\$ 4,871,330
Capital lease obligation	87,849	140,277
Total	\$ 4,770,844	\$ 5,011,607

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Current Financial Related Activities

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,396,519
Receivables:	
Property taxes	2,460,300
Income taxes.	449,494
Accounts.	2,963
Accrued interest	391
Intergovernmental	60,935
Prepayments	2,304
Materials and supplies inventory.	3,322
Capital assets:	
Nondepreciable capital assets	3,837,965
Depreciable capital assets, net.	1,261,459
Capital assets, net	5,099,424
Total assets.	9,475,652
Liabilities:	
Accounts payable.	203,909
Contracts payable.	135,000
Accrued wages and benefits payable	540,422
Pension obligation payable.	111,841
Intergovernmental payable	103,275
Accrued interest payable	31,376
Long-term liabilities:	
Due within one year.	187,917
Due in more than one year.	5,112,498
Total liabilities	6,426,238
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,033,119
Net position:	
Net investment in capital assets	593,671
Restricted for:	
Capital projects	96,742
Debt service.	185,007
Locally funded programs	1,387
State funded programs.	42,922
Federally funded programs	21,682
Student activities	2,386
Other purposes	5,235
Unrestricted	67,263
Total net position.	\$ 1,016,295

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 3,331,016	\$ 646,829	\$ 21,178	\$ (2,663,009)
Special	930,646	-	434,320	(496,326)
Vocational	179,013	-	21,557	(157,456)
Support services:				
Pupil	258,998	-	-	(258,998)
Instructional staff	339,018	-	68,091	(270,927)
Board of education	7,558	-	-	(7,558)
Administration	615,468	13,577	23,322	(578,569)
Fiscal	348,853	-	-	(348,853)
Business	8,662	-	-	(8,662)
Operations and maintenance	808,040	-	-	(808,040)
Pupil transportation	404,561	64	4,549	(399,948)
Central	9,329	-	821	(8,508)
Operation of non-instructional services:				
Other non-instructional services	69,235	-	81,542	12,307
Food service operations	285,543	136,712	88,925	(59,906)
Extracurricular activities	228,936	50,128	17,983	(160,825)
Interest and fiscal charges	214,319	-	-	(214,319)
Total governmental activities	<u>\$ 8,039,195</u>	<u>\$ 847,310</u>	<u>\$ 762,288</u>	<u>(6,429,597)</u>
General revenues:				
Property taxes levied for:				
General purposes				2,027,705
Debt service				222,098
Capital outlay				68,819
Income taxes levied for:				
General purposes				1,242,848
Grants and entitlements not restricted to specific programs				2,449,224
Investment earnings				5,908
Miscellaneous				10,867
Total general revenues				<u>6,027,469</u>
Change in net position				(402,128)
Net position at beginning of year				<u>1,418,423</u>
Net position at end of year				<u>\$ 1,016,295</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 259,356	\$ 654,129	\$ 477,799	\$ 1,391,284
Receivables:				
Property taxes.	2,180,446	-	279,854	2,460,300
Income taxes	449,494	-	-	449,494
Accounts	2,911	-	52	2,963
Accrued interest	391	-	-	391
Interfund loans	55,633	-	-	55,633
Intergovernmental.	-	-	60,935	60,935
Prepayments.	2,304	-	-	2,304
Materials and supplies inventory.	-	-	3,322	3,322
Restricted assets:				
Equity in pooled cash and cash equivalents	5,235	-	-	5,235
Total assets	\$ 2,955,770	\$ 654,129	\$ 821,962	\$ 4,431,861
Liabilities:				
Accounts payable	\$ 27,815	\$ 143,131	\$ 32,963	\$ 203,909
Contracts payable.	-	135,000	-	135,000
Accrued wages and benefits payable	483,095	-	57,327	540,422
Compensated absences payable	18,756	-	-	18,756
Interfund loans payable.	-	-	55,633	55,633
Intergovernmental payable	101,688	-	1,587	103,275
Pension obligation payable	101,842	-	9,999	111,841
Total liabilities.	733,196	278,131	157,509	1,168,836
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	1,802,561	-	230,558	2,033,119
Delinquent property tax revenue not available	119,359	-	15,572	134,931
Income tax revenue not available	92,462	-	-	92,462
Intergovernmental revenue not available	-	-	60,935	60,935
Total deferred inflows of resources	2,014,382	-	307,065	2,321,447
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	3,322	3,322
Prepays.	2,304	-	-	2,304
Unclaimed monies	648	-	-	648
Restricted:				
Debt service	-	-	187,017	187,017
Capital improvements	-	375,998	203,301	579,299
Non-public schools	-	-	33,445	33,445
Other purposes.	-	-	14,094	14,094
Extracurricular activities	-	-	2,386	2,386
School bus purchases	5,235	-	-	5,235
Assigned:				
Student and staff support.	20,794	-	-	20,794
Unassigned (deficit)	179,211	-	(86,177)	93,034
Total fund balances	208,192	375,998	357,388	941,578
Total liabilities, deferred inflows and fund balances	\$ 2,955,770	\$ 654,129	\$ 821,962	\$ 4,431,861

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	941,578
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,099,424
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	134,931	
Income taxes receivable		92,462	
Intergovernmental receivable		60,935	
Total		60,935	288,328
Unamortized premiums on bonds issued are not recognized in the funds.			(221,399)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(31,376)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(4,682,995)	
Capital lease obligations		(87,849)	
Compensated absences		(289,416)	
Total		(5,060,260)	(5,060,260)
Net position of governmental activities			\$ 1,016,295

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,032,258	\$ -	\$ 291,529	\$ 2,323,787
Income taxes	1,238,988	-	-	1,238,988
Tuition	567,572	-	-	567,572
Transportation fees	64	-	-	64
Earnings on investments	1,253	4,590	79	5,922
Charges for services	-	-	136,712	136,712
Extracurricular	13,577	-	50,128	63,705
Classroom materials and fees	79,257	-	-	79,257
Contributions and donations	-	-	4,000	4,000
Other local revenues	4,424	621	25,315	30,360
Intergovernmental - state	2,557,772	-	132,293	2,690,065
Intergovernmental - federal	36,316	-	437,025	473,341
Total revenues	<u>6,531,481</u>	<u>5,211</u>	<u>1,077,081</u>	<u>7,613,773</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,193,844	-	41,304	3,235,148
Special	652,875	-	257,612	910,487
Vocational	178,311	-	-	178,311
Support services:				
Pupil	221,229	-	38,060	259,289
Instructional staff	259,280	-	81,217	340,497
Board of education	7,530	-	-	7,530
Administration	591,813	-	26,813	618,626
Fiscal	339,955	-	7,097	347,052
Business	8,361	-	-	8,361
Operations and maintenance	472,549	-	31,839	504,388
Pupil transportation	401,218	-	-	401,218
Central	8,206	-	1,123	9,329
Operation of non-instructional services:				
Other non-instructional services	1,050	-	65,910	66,960
Food service operations	-	-	289,357	289,357
Extracurricular activities	154,707	-	74,229	228,936
Facilities acquisition and construction	-	3,794,242	32,782	3,827,024
Debt service:				
Principal retirement	100,763	-	140,000	240,763
Interest and fiscal charges	57,262	-	164,445	221,707
Total expenditures	<u>6,648,953</u>	<u>3,794,242</u>	<u>1,251,788</u>	<u>11,694,983</u>
Excess of expenditures over revenues	<u>(117,472)</u>	<u>(3,789,031)</u>	<u>(174,707)</u>	<u>(4,081,210)</u>
Other financing sources (uses):				
Transfers in	-	-	80,500	80,500
Transfers (out)	<u>(80,500)</u>	<u>-</u>	<u>-</u>	<u>(80,500)</u>
Total other financing sources (uses)	<u>(80,500)</u>	<u>-</u>	<u>80,500</u>	<u>-</u>
Net change in fund balances	(197,972)	(3,789,031)	(94,207)	(4,081,210)
Fund balances at beginning of year	<u>406,164</u>	<u>4,165,029</u>	<u>451,595</u>	<u>5,022,788</u>
Fund balances at end of year	<u>\$ 208,192</u>	<u>\$ 375,998</u>	<u>\$ 357,388</u>	<u>\$ 941,578</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ (4,081,210)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	3,609,102	
Current year depreciation		(184,575)	
Total			3,424,527

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (2,613)

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

Property taxes		(5,165)	
Income taxes		3,860	
Intergovernmental		24,599	
Total			23,294

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

Bonds		188,335	
Capital leases		52,428	
Total			240,763

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable		560	
Amortization of bond premiums		6,828	
Total			7,388

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(14,277)

Change in net position of governmental activities \$ (402,128)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,060,797	\$ 2,060,797	\$ 2,034,417	\$ (26,380)
Income taxes.	1,131,691	1,131,691	1,234,908	103,217
Tuition.	534,487	534,487	567,572	33,085
Transportation fees.	64	64	64	-
Earnings on investments	817	817	862	45
Classroom materials and fees	37,075	37,075	76,346	39,271
Other local revenues	1,331	1,331	836	(495)
Intergovernmental - state	2,417,750	2,504,408	2,557,772	53,364
Intergovernmental - federal	38,667	38,667	33,432	(5,235)
Total revenues	6,222,679	6,309,337	6,506,209	196,872
Expenditures:				
Current:				
Instruction:				
Regular	3,251,925	3,194,072	3,383,469	(189,397)
Special.	601,395	601,395	596,498	4,897
Vocational.	189,283	189,283	185,362	3,921
Support services:				
Pupil.	271,419	271,419	232,879	38,540
Instructional staff	266,033	266,033	271,732	(5,699)
Board of education	20,309	20,309	6,053	14,256
Administration.	559,437	559,437	608,135	(48,698)
Fiscal	282,934	282,934	353,340	(70,406)
Business	4,993	4,993	68	4,925
Operations and maintenance.	461,323	461,323	539,409	(78,086)
Pupil transportation	471,559	471,559	480,959	(9,400)
Central.	1,539	10,931	8,329	2,602
Operation of non-instructional services:				
Other non-instructional services	2,225	2,225	3,275	(1,050)
Extracurricular activities.	152,587	152,587	150,178	2,409
Debt service:				
Principal	50,135	50,135	51,705	(1,570)
Interest and fiscal charges.	48,992	48,992	45,449	3,543
Total expenditures	6,636,088	6,587,627	6,916,840	(329,213)
Excess of expenditures over revenues	(413,409)	(278,290)	(410,631)	(132,341)
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	12,610	12,610
Transfers (out).	-	(98,865)	(98,865)	-
Advances in.	103,915	103,915	56,268	(47,647)
Advances (out)	-	(74,596)	(100,442)	(25,846)
Total other financing sources (uses)	103,915	(69,546)	(130,429)	(60,883)
Net change in fund balance	(309,494)	(347,836)	(541,060)	(193,224)
Fund balance at beginning of year	350,790	350,790	350,790	-
Prior year encumbrances appropriated	171,776	171,776	171,776	-
Fund balance (deficit) at end of year	\$ 213,072	\$ 174,730	\$ (18,494)	\$ (193,224)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 158,695	\$ 36,300
Receivables:		
Accrued interest.	55	-
Total assets.	158,750	\$ 36,300
Liabilities:		
Accounts payable.	-	\$ 5,964
Due to students.	-	30,336
Total liabilities	-	\$ 36,300
Net position:		
Held in trust for scholarships	158,750	
Total net position.	\$ 158,750	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 159
Gifts and contributions	41,860
Total additions	42,019
Deductions:	
Scholarships awarded	25,700
Change in net position	16,319
Net position at beginning of year	142,431
Net position at end of year	\$ 158,750

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

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

The District currently operates one elementary school and one comprehensive high school. The District employs 34 non-certified and 56 certified employees to provide services to 678 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

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

EHOVE Career Center (Center)

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

Northern Ohio Educational Computer Association (NOECA)

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

North Point Purchasing Cooperative

The North Point Purchasing Cooperative (“the Cooperative”) is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

RELATED ORGANIZATION

Monroeville Public Library

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by writing to Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Building fund - The Building fund is used to account for resources that are restricted for capital outlays including the acquisition or construction of capital facilities and other capital assets. This fund accounts for receipts and expenditures related to all special bond funds in the District. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

D. Basis of Accounting

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

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

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

Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 7).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of budgetary control is established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the fiscal year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the fiscal year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations, if any, are legally enacted by the Board prior to June 30, 2014. There was one supplemental appropriation in fiscal year 2014. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, the building fund, permanent improvement fund (a nonmajor governmental fund) and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$1,253, which includes \$786 assigned from other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 60 or greater with 5 years of service, age 50 with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

M. Net Position

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

N. Prepayments

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

O. Parochial Schools

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

P. Estimates

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

Q. Restricted Cash

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. Restricted assets represent monies received from the State of Ohio that are restricted for school bus purchases. The fund balance in the general fund has \$5,235 restricted. See Note 17 for detail.

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

T. Issuance Costs/Bond Premiums

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Noncompliance

- i.* The District had noncompliance with Ohio Revised Code Section 5705.40 and 5705.41(B) due to expenditures in excess of appropriations.
- ii.* The District had noncompliance with Ohio Revised Code Section 5705.41(D).

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At year-end, the District had \$2,250 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$826,855. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, the District's entire bank balance of \$886,200 was covered by the FDIC.

C. Investments

As of June 30, 2014, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ <u>762,409</u>	\$ <u>762,409</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>762,409</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 826,855
Investments	762,409
Cash on hand	<u>2,250</u>
 Total	 <u>\$ 1,591,514</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,396,519
Private purpose trust	158,695
Agency funds	<u>36,300</u>
 Total	 <u>\$ 1,591,514</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	<u>\$ 80,500</u>

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Interfund balances at June 30, 2014 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 55,633</u>

The primary purpose of these interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron and Erie Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$258,526 in the general fund, \$25,271 in the bond retirement fund (a nonmajor governmental fund) and \$8,453 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$260,685 in the general fund, \$25,419 in the bond retirement fund (a nonmajor governmental fund) and \$8,613 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 86,091,670	97.28	\$ 86,416,360	97.13
Public utility personal	<u>2,409,340</u>	<u>2.72</u>	<u>2,556,310</u>	<u>2.87</u>
Total	<u><u>\$ 88,501,010</u></u>	<u><u>100.00</u></u>	<u><u>\$ 88,972,670</u></u>	<u><u>100.00</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$38.20		 \$38.20	

NOTE 7 - INCOME TAX

The District has authorized, through voter approval, an annual 1.5 percent school district income tax levied on the income of individuals and estates on a continual basis. The tax is to be used for normal operating expenses of the District and is credited to the general fund. The income tax revenue credited to the general fund during fiscal year 2014 was \$1,238,988.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

Property taxes	\$ 2,460,300
Income taxes	449,494
Accounts	2,963
Accrued interest	391
Intergovernmental	<u>60,935</u>
 Total	 <u>\$ 2,974,083</u>

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 302,965	\$ -	\$ -	\$ 302,965
Construction in progress	<u>-</u>	<u>3,535,000</u>	<u>-</u>	<u>3,535,000</u>
Total capital assets, not being depreciated	<u>302,965</u>	<u>3,535,000</u>	<u>-</u>	<u>3,837,965</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	207,682	-	(4,859)	202,823
Buildings and improvements	2,575,874	-	-	2,575,874
Furniture, fixtures and equipment	1,676,477	42,164	(7,470)	1,711,171
Vehicles	<u>711,732</u>	<u>31,938</u>	<u>-</u>	<u>743,670</u>
Total capital assets, being depreciated	<u>5,171,765</u>	<u>74,102</u>	<u>(12,329)</u>	<u>5,233,538</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(169,714)	(1,923)	2,246	(169,391)
Buildings and improvements	(1,755,624)	(54,747)	-	(1,810,371)
Furniture, fixtures and equipment	(1,450,445)	(90,773)	7,470	(1,533,748)
Vehicles	<u>(421,437)</u>	<u>(37,132)</u>	<u>-</u>	<u>(458,569)</u>
Total accumulated depreciation	<u>(3,797,220)</u>	<u>(184,575)</u>	<u>9,716</u>	<u>(3,972,079)</u>
Governmental activities capital assets, net	<u>\$ 1,677,510</u>	<u>\$ 3,424,527</u>	<u>\$ (2,613)</u>	<u>\$ 5,099,424</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 97,146
Special	20,159
Vocational	1,991
<u>Support services:</u>	
Pupil	409
Instructional staff	959
Board of Education	28
Administration	3,521
Fiscal	578
Business	301
Operations and maintenance	20,032
Pupil transportation	37,785
Non-instructional	506
Food service operation	<u>1,160</u>
Total depreciation expense	<u>\$ 184,575</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of office equipment and busses have been capitalized in the amount of \$439,293. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2014 totaled \$52,428 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 55,983
2016	<u>36,542</u>
Total minimum lease payments	92,525
Less: amount representing interest	<u>(4,676)</u>
Present value of minimum lease payments	<u>\$ 87,849</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS

During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Qualified school construction bonds	\$ 676,330	\$ -	\$ (48,335)	\$ 627,995	\$ 49,335
General obligation bonds, Series 2013	4,195,000	-	(140,000)	4,055,000	50,000
Capital leases	140,277	-	(52,428)	87,849	52,624
Compensated absences	<u>389,307</u>	<u>44,477</u>	<u>(125,612)</u>	<u>308,172</u>	<u>35,958</u>
Total long-term obligations, governmental activities	<u>\$ 5,400,914</u>	<u>\$ 44,477</u>	<u>\$ (366,375)</u>	5,079,016	<u>\$ 187,917</u>
Add: Unamortized premiums				<u>221,399</u>	
Total on statement of net position				<u>\$ 5,300,415</u>	

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

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

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

General Obligation Bonds, Series 2013 - During fiscal year 2013, the District issued \$4,195,000 in general obligation bonds to provide funds for various District building projects. The bonds interest rate ranges from 1.0% - 5.0% and mature December 1, 2046. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund). At June 30, 2014, there was \$486,490 in unspent proceeds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	<u>Qualified School Construction Bonds</u>			Fiscal Year Ending June 30,	<u>General Obligation Bonds, Series 2013</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 49,335	\$ 42,830	\$ 92,165	2015	\$ 50,000	\$ 169,440	\$ 219,440
2016	50,335	39,464	89,799	2016	50,000	168,940	218,940
2017	50,335	36,032	86,367	2017	55,000	168,190	223,190
2018	50,335	32,599	82,934	2018	55,000	167,365	222,365
2019	51,335	29,166	80,501	2019	60,000	166,265	226,265
2020 - 2024	264,660	92,566	357,226	2020 - 2024	350,000	810,850	1,160,850
2025 - 2026	<u>111,660</u>	<u>11,455</u>	<u>123,115</u>	2025 - 2029	445,000	760,085	1,205,085
Total	<u>\$ 627,995</u>	<u>\$ 284,112</u>	<u>\$ 912,107</u>	2030 - 2034	585,000	665,425	1,250,425
				2035 - 2039	755,000	521,250	1,276,250
				2040 - 2044	955,000	321,500	1,276,500
				2045 - 2047	<u>695,000</u>	<u>70,750</u>	<u>765,750</u>
				Total	<u>\$ 4,055,000</u>	<u>\$ 3,990,060</u>	<u>\$ 8,045,060</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014 are a voted debt margin of \$3,511,562 and an unvoted debt margin of \$88,973.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - RISK MANAGEMENT - (Continued)

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

B. Health Care Benefits

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association, a public entity risk management pool. Monthly payments are made to the Association for health and dental insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims. Individual coverage cannot exceed \$1,000,000 in claims during their lifetime. Financial information can be obtained by writing to the North Point Educational Service Center, 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 14. As such, no funding provisions are required by the District.

C. Workers' Compensation Plan

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$108,531, \$111,397 and \$102,151, respectively; 81.62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$402,375, \$396,795 and \$398,686, respectively; 83.13 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$14,463 made by the District and \$11,364 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$14,469, \$12,150 and \$15,549, respectively; 81.62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,296, \$6,293 and \$6,033, respectively; 81.62 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$30,952, \$30,523 and \$30,668, respectively; 83.13 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**MONROEVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (541,060)
Net adjustment for revenue accruals	8,107
Net adjustment for expenditure accruals	14,123
Net adjustment for other sources/uses	49,929
Funds budgeted elsewhere	9,669
Adjustment for encumbrances	261,260
GAAP basis	\$ (197,972)

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

**MONROEVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	110,788
Current year qualifying expenditures	(21,642)
Current year offsets	<u>(89,146)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

In addition to the above statutory set-asides, the District also has \$5,235 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2014 follows:

Amount restricted for school bus purchases	<u>\$ 5,235</u>
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**MONROEVILLE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 232,083
Nonmajor governmental funds	<u>75,082</u>
Total	<u>\$ 307,165</u>



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroeville Local School District, Huron County, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Monroeville Local School District's basic financial statements and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Monroeville Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Monroeville Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Monroeville Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Educational
Monroeville Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Monroeville Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2014-001, 2014-002 and 2014-003.

Monroeville Local School District's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Monroeville Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Monroeville Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 18, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2014-001
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The District did not properly modify its appropriations throughout the fiscal year ended June 30, 2014.

By not timely and properly modifying the appropriations, the potential to overspend in certain funds exists.

We recommend the District comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: The District will continue to monitor its expenditures versus appropriations on a monthly basis and make amendments to appropriations as necessary.

Finding Number	2014-002
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the fiscal year ended June 30, 2014, the following fund had expenditures plus encumbrances in excess of appropriations at the legal level of control:

	Appropriations	Expenditures Plus Encumbrances	Excess
<u>Major Fund:</u>			
General	\$ 6,686,492	\$ 7,015,705	\$ 329,213

With expenditures exceeding appropriations, the District is spending monies that have not lawfully been appropriated by the Board of Education. This may result in unnecessary spending.

We recommend the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to fiscal year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The District will continue to monitor its expenditures versus appropriations on a monthly basis to ensure expenditures remain within the appropriated amounts. If expenditures are anticipated to be in excess of appropriations and resources are available, the District will consider amending its appropriations to remain compliant.

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2014-003

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District had 47% of expenditures that were not certified in a timely manner.

Without timely certification, the District may expend more funds than available in the Treasury, in the process of collection or in the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection and or a "Then & Now" certification is approved on the purchase order.

Client Response: The District is attempting to use blanket certificates and "Then and Now" certificates when applicable.

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2013-MLSD-001	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations. The District did not properly modify its appropriations throughout the fiscal year ended June 30, 2013.	No	Repeated as finding 2014-001
2013-MLSD-002	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated. For the fiscal year ending June 30, 2013, expenditures exceeded appropriations in the general fund by \$315,231.	No	Repeated as finding 2014-002

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Dave Yost • Auditor of State

MONROEVILLE LOCAL SCHOOL DISTRICT

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**