



Dave Yost • Auditor of State

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

Fiscal Emergency Termination

Local Government Services Section

**Monroe Local School District
Butler County**

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Monroe Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Monroe Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Monroe Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse. Therefore, the existence of the Monroe Local School District Financial Planning and Supervision Commission and its role in the operation of the Monroe Local School District is terminated as of September 25, 2014.

Accordingly, this report is hereby submitted to the Monroe Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Roger Reynolds, Butler County Auditor, and Dr. Richard A. Ross, State Superintendent of Public Instruction.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E) of the Revised Code requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

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DAVE YOST
Auditor of State

September 25, 2014

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Monroe Local School District – Butler County

Report on Termination of the Monroe Local School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Monroe Local School District (the Commission), Butler County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective October 1, 2011, the Department of Education declared the Monroe Local School District, Butler County, to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2012 and 2013.

The Auditor of State declared the Monroe Local School District in fiscal watch on February 2, 2012. This declaration was based upon the failure to submit a written proposal for eliminating the anticipated deficits that prompted the declaration of fiscal caution and preventing the School District from experiencing further fiscal difficulties. Upon the review of Monroe Local School District's five-year forecast filed with the Department of Education on October 26, 2011, which included forecasted deficits of \$1,568,000 and \$2,705,000 for the fiscal years ending June 30, 2012, and 2013, the Auditor of State found the Department of Education's request that the Monroe Local School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit an initial financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the Auditor of State's declaration is to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Monroe Local School District Board of Education has failed to submit an acceptable recovery plan to Superintendent of Public Instruction.

Accordingly, the Auditor of State declared the Monroe Local School District to be in a state of fiscal emergency under Section 3316.03(B) of the Ohio Revised Code on May 9, 2012. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

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**Report on Termination of the Monroe Local School District
Financial Planning and Supervision Commission**

3. The objectives of the financial recovery plan are being met; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor’s opinion, “nonadverse”.

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 – Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district’s financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Monroe Local School District and issued a Report on Accounting Methods, dated March 27, 2014. The report identified areas where the School District’s financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School District issued an updated policy and procedures manual to each of the school buildings in 2008. However, this has not been updated since then, and many of the procedures and forms included in the binders are no longer used. The School District should review and update the policy and procedure manuals. Additionally, all applicable employees should read and certify their understanding of the updated policy and procedures.

Implemented:

The School District has reviewed and updated its policy and procedures manuals, which includes updated forms to be used by all School District buildings. The Board approved the policy changes in the minutes. All employees that will be handling receipt collections reviewed the new policies and procedures and have certified their understanding of the updated policy and procedures by providing a sign-off sheet to the Treasurer.

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Auditor of State Comment from Report on Accounting Methods:

- Some of the School District’s buildings are making deposits within 24 hours of collection. A policy has been adopted by the Board following Ohio Revised Code Section 9.38 for the deposit of public funds within three business days if less than \$1,000. However, there are times when employees at various cash collection points are holding deposits for more than three business day. The School District should ensure and enforce that all employees follow the current policy.

In Process:

The policy for depositing of public funds was reviewed with all staff within the School District by the Treasurer. All staff is following the policy except for the athletic department. The collection of pay-to-participate fees have not been deposited within the three business days per policy on several occasions.

Auditor of State Comment from Report on Accounting Methods:

- The Board’s policy for cash collection states that monies received at cash collection points must be deposited with the Treasurer. However, deposits are currently being taken to the bank by the building secretaries. Also, the policy states that locked bank deposit bags are provided to employees for making the daily deposits, but the building secretaries do not currently use bank deposit bags. The policy should be followed or reviewed and updated.

Implemented:

The Board’s policy for cash collection was revised to state that monies received at cash collection points are deposited with the bank by the Building Secretaries or designee with the deposit slip. If the monies cannot be deposited on the day received, the deposit slip and monies are to be safeguarded. The Treasurer’s office receives documentation to include a Revenue Talley Sheet, stamped deposit ticket, building receipts, and/or Ticket Talley to record the receipt into USAS. Each building uses bank deposit bags to carry the deposits back and forth to the bank when depositing.

Auditor of State Comment from Report on Accounting Methods:

- Currently, there is no double count of cash collections for passes sold by the Athletic Department or for cash collected at the Primary, Elementary or Junior/Senior High School buildings, with the exception of collections for fundraisers. The School District should develop a policy and procedures to ensure that all cash collections are verified by a second employee.

Implemented:

The School District updated and revised their deposit of public funds procedures to ensure that all cash collections are verified by a second employee. Each collection point within the School District has specific procedures for cash collections. For deposit ready receipts received by all Building Secretaries and the Athletic Secretary, these individuals review and check the accuracy of the documentation and monies received from teachers, staff members, or Athletic Director. For non-deposit ready receipts received by the Building Secretaries and Athletic Secretary, the Building Secretary and/or Athletic Secretary prepare the monies and documentation. The recount and comparison to documentation of the monies are done by different personnel depending on the buildings. The primary building receipts are verified and recounted by the Assistant Building Secretary or Principal. The junior high and high school

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buildings receipts are verified and recounted by the Athletic Secretary. The receipts prepared by the Athletic Secretary are verified and recounted by the Building Secretary. The elementary building receipts are verified and recounted by the Assistant Secretary.

Auditor of State Comment from Report on Accounting Methods:

- The elementary school teachers can take cafeteria receipts which are sent to the building secretary's office along with other receipts. The cafeteria receipts are placed in an envelope with the child's name on it without counting the money or making receipts. Elementary secretaries need to count the money received for cafeteria receipts and place the amount on the envelope and prepare a receipt. The receipt should be sent back to the classroom where the teacher presents the receipt to the appropriate child.

Implemented:

The School District approved new procedures for cafeteria receipts. The students turn in all cafeteria monies to the cafeteria employees. A cafeteria employee collects the monies from the students and credits the student's account. The amounts collected and credited to the student's account is compared to the computer generated reports from the lunchroom system and checked for accuracy before the deposit is made.

Auditor of State Comment from Report on Accounting Methods:

- The Athletic Director handles all aspects of athletic facility rentals – contract and insurance agreements, invoices, and collection of monies. The insurance agreements are not always signed by the renter before the facility is used. All contracts and insurance agreements should be received by the School District before the renter is allowed to use the facilities. The Treasurer's office should receive a copy of the contract and insurance agreements. Once the facility is used per the agreement, the Treasurer's office should invoice the renter.

Implemented:

The School District updated the policy and procedures for renting school facilities in fiscal year 2014. The policy and procedures require the renter to complete a request for facility use form and submit it to either the Business Manager or Athletic Director with the documentation of insurance carrier. A list of appropriate renters are provided within the policy approved by the Board as well as purposes that are prohibited. Permission for use of the facility are not approved until the proof of insurance is provided to the School District Business Manager or Athletic Director. A copy of the approved rental request form agreement with the insurance proof attached is sent to the Treasurer's office. The Treasurer's office invoices the renter and tracks when payment has been received.

Auditor of State Comment from Report on Accounting Methods:

- During the summer months, mail from the United States Post Office is often not deliverable to the various school buildings. The mail is kept at the Post Office until an employee is available to accept the mail. The School District should develop policies and procedures to ensure that mail is opened in a timely manner so that all deposits that are mailed will be deposited per the Board's cash collection policy.

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Implemented:

The School District updated policies and procedures to ensure that mail is opened in a timely manner so that all deposits that are mailed are deposited per the Board's cash collection policy. The Administration Building received all mail during the summer months for all buildings. The Administration Building staff is required to sort through the mail and pull out any envelope that potentially had payments for fees, fines, etc. for students within the School District. These receipts were given to the Payroll/Benefits Specialist to input into the financial system and produce a receipt. All receipts received by the Payroll/Benefit Specialist are reviewed and checked by the Accounting Specialist including the daily deposit slip.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- Section 9.24, Revised Code, prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The School District should keep documentation that this review has been performed.

Implemented:

The School District is keeping documentation to support the review of the findings for recovery database on the Auditor of State website.

Auditor of State Comment from Report on Accounting Methods:

- The School District should adopt a policy that addresses vendor file requirements and how the School District adds new vendors.

Implemented:

The School District has adopted a policy that addresses vendor file requirements and how the School District adds new vendors.

Auditor of State Comment from Report on Accounting Methods:

- The School District has policies concerning the purchasing process, but current procedures do not match the policies. The procedures for requisitions and purchase orders have changed due to implementing a paperless system and using the system for approvals. The bidding policies were written when the School District did not have a Business Manager. Now that the School District has a Business Manager, the Business Manager is currently performing many tasks that are identified in the policy as being performed by other individuals. The School District should review and update their policy to reflect current procedures.

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Implemented:

The School District reviewed and updated its purchasing process to reflect current procedures. These procedures include a paperless environment for purchase requisitions as well as purchase orders and subsequent approval of the purchase orders. The updated policies and procedures also includes responsibilities of the Business Manager position.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The documentation should be kept on file in the Treasurers' office.

Implemented:

The School District has documented the procedures for cash disbursements including staff positions and their functions. The School District makes all policies and procedures available on the School District's website for employees to have access. The procedures also identify the process to follow when a vendor submits a partial invoice as well as when an invoice exceeds the purchase order/fiscal officer certification of funds.

Payroll Process

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should review the pay period spreadsheet prepared by the Payroll/Benefits Specialist to verify that payroll expenses agrees to the payroll system reports before approving payroll checks and direct deposits.

Implemented:

The Treasurer reviews the pay period spreadsheet prepared by the Payroll/Benefits Specialist to verify that payroll expenses agrees to the payroll system reports before approving payroll checks and direct deposits. This review is documented in the payroll processing packet as the Treasurer initials and dates her review.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy should be expanded to address useful lives of capital assets.

Implemented:

The Board approved a new capital assets policy that addresses the useful lives of capital assets.

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Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy requires the School District to conduct a complete inventory every year by physical count of all School District-owned equipment and supplies. OMB Circular A-110 (2CFR section 215.34) requires equipment purchased through Federal funds to have a physical inventory at least once every two years and reconciled to the equipment records. The Board should follow their policy or update and approve policy changes over the physical count.

Implemented:

The School District conducts a complete inventory by physical count of all School District owned equipment and supplies. Documentation is provided to the Treasurer.

Auditor of State Comment from Report on Accounting Methods:

- The capital asset policy requires the Treasurer to receive a list of all obsolete/worn out or damaged equipment. This list is to be presented to the Board prior to any action to be taken on these items. The Treasurer's office has been receiving a list of assets to be deleted. The School District should follow their policy or update and approve changes to the deletion of obsolete/worn out or damaged capital assets.

Implemented:

Within the new capital asset policy, the Treasurer is required to receive a list of all assets ready for disposal. The list is reviewed by the Treasurer and Superintendent to determine if the assets could be used in different locations. If the asset cannot be used in another location and is deemed obsolete, the asset is presented to the Board for approval to be sold at auction.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- At the time the annual financial report is filed with the Auditor of State, the Treasurer must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The School District has not published completion of the report in the newspaper.

Implemented:

The Treasurer published notification in the local newspaper in March of 2014 that the fiscal year 2013 financial report was completed and available for inspection by contacting the Treasurer at the School District Administration office.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer did not file GAAP financial statements within one hundred and fifty days after the close of fiscal year-end in accordance with Section 117.38, Revised Code.

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**Report on Termination of the Monroe Local School District
Financial Planning and Supervision Commission**

Implemented:

The School District filed GAAP financial statements on November 27, 2013 for fiscal year 2013.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer provides a financial report (monthly and fiscal year-to-date) that includes the general fund and debt service fund and a fund balance report for all funds. The Treasurer should also include on the fund balance report the amount of outstanding encumbrances for all funds and the unencumbered fund balance.

Implemented:

The Treasurer's fund balance report submitted to the Board at monthly meetings includes the amount of outstanding encumbrance for all funds and the unencumbered fund balance.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- The Board receives a copy of contracts to discuss and vote upon at their monthly meeting. When the minutes are prepared the stated rates or the total contract amount is not consistently reported in the minutes.

Implemented:

The School District's minutes and meeting agendas consistently include rates or total contract amounts for contracts being discussed and approved.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements as of and for the fiscal year ended June 30, 2013, on March 4, 2014. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The School District had one recommendation within the management letter on Sales Potential Forms being completed with appropriate authorizing signatures for all school projects.

Monroe Local School District – Butler County

**Report on Termination of the Monroe Local School District
Financial Planning and Supervision Commission**

Section 2 – Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district’s general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district’s general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district’s fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District’s five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Monroe Local School District – Butler County

**Report on Termination of the Monroe Local School District
Financial Planning and Supervision Commission**

Section 3 – Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated July 31, 2014). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.
3. The School District will seek additional tax funds by asking voters in the election process to approve a five-year 7.05 mill emergency levy generating an additional 7.05 mills emergency levy.
4. The School District will make reductions in staff members to total approximately \$1,300,000.

Actions taken to achieve the provisions of the plan include the following:

1. Monitored operating expenditures;
2. Monitored personnel levels;
3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.
4. The School District placed a five-year 7.05 mill emergency levy on the November 2012 ballot which the voters approved.
5. The School District eliminated 29 positions within the General Fund in fiscal year 2013 for an approximate savings of \$1,800,000.

Section 4 – Five-Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2015 through 2019, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

Monroe Local School District – Butler County

**Report on Termination of the Monroe Local School District
Financial Planning and Supervision Commission**

The School District's five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2019. The Auditor of State, in a report dated August 29, 2014, rendered a "nonadverse" opinion on the financial forecast.

Section 5 – Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented, or is in the process of implementing, an effective accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period.
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Monroe Local School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Monroe Local School District
Butler County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2015 through June 30, 2019

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Monroe Local School District – Butler County

Fiscal Emergency Termination

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Dave Yost • Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Monroe Local School District for the fiscal years ending June 30, 2015 through 2019. The Monroe Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2012, 2013, 2014 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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

DAVE YOST
Auditor of State

August 29, 2014

Monroe Local School District
Butler County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2012 Through 2014 Actual;
For the Fiscal Years Ending June 30, 2015 Through 2019 Forecasted
General Fund

	Fiscal Year 2012 Actual	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Forecasted
Revenues				
General Property Taxes	\$9,434,000	\$11,123,000	\$8,274,000	\$9,802,000
Unrestricted Grants-in-Aid	5,092,000	5,247,000	5,753,000	6,229,000
Restricted Grants-in-Aid	92,000	27,000	133,000	95,000
Restricted Federal Grants-in-Aid	111,000	0	0	0
Property Tax Allocation	1,248,000	1,345,000	1,528,000	1,534,000
All Other Revenues	2,566,000	2,494,000	7,725,000	4,265,000
<i>Total Revenues</i>	<u>18,543,000</u>	<u>20,236,000</u>	<u>23,413,000</u>	<u>21,925,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	1,400,000	700,000	0	0
Solvency Assistance Advance	2,204,000	427,000	0	0
Advances In	3,102,000	0	0	0
Transfers In	2,000	0	0	0
Refund of Prior Year Expenditures	469,000	52,000	82,000	0
<i>Total Other Financing Sources</i>	<u>7,177,000</u>	<u>1,179,000</u>	<u>82,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>25,720,000</u>	<u>21,415,000</u>	<u>23,495,000</u>	<u>21,925,000</u>
Expenditures				
Personal Services	10,588,000	8,734,000	8,839,000	9,210,000
Employees' Retirement/Insurance Benefits	3,762,000	3,174,000	2,958,000	3,190,000
Purchased Services	4,128,000	4,895,000	4,979,000	5,455,000
Supplies and Materials	385,000	255,000	343,000	708,000
Capital Outlay	62,000	94,000	124,000	114,000
Debt Service:				
Principal-Tax Anticipation Note	1,400,000	700,000	0	0
Principal-Stadium Lease	64,000	0	0	0
Principal-Field House Lease	68,000	0	0	0
Principal-Roof	76,000	0	0	0
Principal-Certificates of Participation	35,000	0	0	0
Solvency Assistance Advance	0	1,102,000	1,316,000	213,000
Interest	246,000	12,000	0	0
Other Objects	364,000	341,000	249,000	257,000
<i>Total Expenditures</i>	<u>21,178,000</u>	<u>19,307,000</u>	<u>18,808,000</u>	<u>19,147,000</u>
Other Financing Uses				
Transfers Out	17,000	0	0	0
Advances Out	0	621,000	620,000	620,000
Refund of Prior Year Receipts	629,000	6,000	0	0
<i>Total Other Financing Uses</i>	<u>646,000</u>	<u>627,000</u>	<u>620,000</u>	<u>620,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>21,824,000</u>	<u>19,934,000</u>	<u>19,428,000</u>	<u>19,767,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	3,896,000	1,481,000	4,067,000	2,158,000
Cash Balance (Deficit) July 1	(398,000)	396,000	1,877,000	5,944,000
Legacy Debt Fund Adjustment	(3,102,000)	0	0	0
Cash Balance June 30	<u>396,000</u>	<u>1,877,000</u>	<u>5,944,000</u>	<u>8,102,000</u>
Encumbrances and Reserves of Fund Balance:				
Actual/Estimated Encumbrances June 30	<u>194,000</u>	<u>457,000</u>	<u>559,000</u>	<u>500,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>202,000</u>	<u>1,420,000</u>	<u>5,385,000</u>	<u>7,602,000</u>
Revenue from Renewal Levy				
Property Tax - Renewal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cumulative Balance of Replacement/Renewal Levies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance June 30 with Renewal Levy	<u>\$202,000</u>	<u>\$1,420,000</u>	<u>\$5,385,000</u>	<u>\$7,602,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

<u>Fiscal Year</u> <u>2016 Forecasted</u>	<u>Fiscal Year</u> <u>2017 Forecasted</u>	<u>Fiscal Year</u> <u>2018 Forecasted</u>	<u>Fiscal Year</u> <u>2019 Forecasted</u>
\$9,851,000	\$8,649,000	\$7,447,000	\$7,496,000
6,229,000	6,229,000	6,229,000	6,229,000
72,000	72,000	72,000	72,000
0	0	0	0
1,541,000	1,468,000	1,395,000	1,401,000
4,268,000	4,268,000	4,265,000	4,262,000
<u>21,961,000</u>	<u>20,686,000</u>	<u>19,408,000</u>	<u>19,460,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>21,961,000</u>	<u>20,686,000</u>	<u>19,408,000</u>	<u>19,460,000</u>
9,324,000	9,466,000	10,611,000	10,526,000
3,401,000	3,521,000	3,833,000	3,971,000
5,452,000	5,616,000	5,789,000	5,964,000
704,000	716,000	729,000	742,000
118,000	421,000	425,000	129,000
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
265,000	273,000	282,000	291,000
<u>19,264,000</u>	<u>20,013,000</u>	<u>21,669,000</u>	<u>21,623,000</u>
0	0	0	0
620,000	621,000	0	0
0	0	0	0
<u>620,000</u>	<u>621,000</u>	<u>0</u>	<u>0</u>
<u>19,884,000</u>	<u>20,634,000</u>	<u>21,669,000</u>	<u>21,623,000</u>
2,077,000	52,000	(2,261,000)	(2,163,000)
8,102,000	10,179,000	10,231,000	7,970,000
0	0	0	0
<u>10,179,000</u>	<u>10,231,000</u>	<u>7,970,000</u>	<u>5,807,000</u>
500,000	500,000	500,000	500,000
<u>9,679,000</u>	<u>9,731,000</u>	<u>7,470,000</u>	<u>5,307,000</u>
0	1,325,000	2,662,000	2,662,000
0	1,325,000	3,987,000	6,649,000
<u>\$9,679,000</u>	<u>\$11,056,000</u>	<u>\$11,457,000</u>	<u>\$11,956,000</u>

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Note 1 – The School District

The Monroe Local School District (the School District) is located in Butler County and encompasses the City of Monroe and a portion of Lemon Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one primary school, one elementary school, and one Jr. High/High School. The School District is staffed by 44 classified and 138 certificated personnel to provide services to approximately 2,607 students and other community members.

On May 9, 2012, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(1) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Auditor of Butler County. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Monroe Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of August 29, 2014, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid

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rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Fund Accounting

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

Governmental Funds

General Fund – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

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

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

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

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

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Proprietary Funds

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

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

Fiduciary Funds

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

Budgetary Process

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

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

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

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

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

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Note 5 – General Operating Assumptions

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

General Property Taxes

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

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2015 (the collection year) for real and public utility property taxes represents collections of 2014 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against the next fiscal year scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2015 through 2019.

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

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$3.13
Continuing Operating	1976	1976	n/a	18.27
Substitute Expense	2009	2009	n/a	12.57
Emergency Levy	2012	2013	2017	8.20
Total Tax Rate				<u>\$42.17</u>

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The School District also has a levy for permanent improvements with a rate of \$2.03 per \$1,000 of assessed valuation and a bond levy with a rate of \$3.00 per \$1,000 of assessed valuation. The School District's total tax rate is \$42.17 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$45.80 per \$1,000 of assessed valuation for collection year 2014, and the effective commercial and industrial real property tax rate is \$46.88 per \$1,000 of assessed valuation for collection year 2014.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Butler County Auditor. The School District had a decrease of \$2,849,000 in 2014 from the prior fiscal year. Several properties applied and received tax increment and residential improvement district classification in 2014. This was a retrospective correction and 2015 will be the first collection after this correction. In fiscal years 2016 through 2019, the School District anticipates new construction in the School District. The School District believes this will cause a small increase of half a percent each year in property taxes.

The School District has an emergency levy expiring in collection year 2017. While the School District anticipates renewing this levy, voter approval is uncertain and the tax revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levy. In fiscal year 2017, the School District anticipates a decrease of \$1,252,000 for half a year collection of the expiring 8.2 mill emergency levy.

Unrestricted Grants-in-Aid

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2015 through June 30, 2019

were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills for 2012 and 2013 and 20 mills for 2014 and thereafter.

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism was not formulated at that time, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula could be devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the school district received at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continues to use the current fiscal year count taken during the first full week of October. This amount is then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts are guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district will receive an increase greater than 6.25 percent for fiscal year 2014. The School District received \$5,686,000 in foundation funding. In fiscal year 2015, unrestricted foundation is forecasted slightly higher based on an estimate from the latest foundation settlement in August of 2014 per the Ohio Department of Education. Fiscal years 2016 through 2019 are projected to remain consistent with fiscal year 2015 due to uncertainty of the future availability of this State revenue.

Beginning in fiscal year 2013, the School District is receiving additional unrestricted grants-in-aid revenue due to casino revenue. The first two casinos opened in Ohio in May 2012, with two more casinos to follow. Of the casino revenue collected by the State, 34 percent is distributed to school districts, based on student population. The School District received casino revenue in the amount of \$67,000, for a total unrestricted grants-in-aid amount of \$5,753,000.

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Restricted Grants-in-Aid

In past fiscal years, restricted grants-in-aid consisted of career technologies, bus purchase and subsidy, Medicaid school program, catastrophic aid special education monies and economic disadvantaged funding. Catastrophic aid is a supplemental payment to the School District for special education students in categories two through five whose educational and related expenses exceed \$27,375 and for special education students in category six whose educational and related expenses exceed \$32,850. Medicaid is a supplemental payment to the School District for services provided to students who qualify for the program. The School District received a new type of funding in 2014 called Economic Disadvantaged Funding. This funding is provided to address poverty and its effects on education.

Catastrophic aid is forecasted at \$27,000 for 2015 due to receiving 2014 funding as well as 2015 funding. This is due to a student that chose to use a different program than the School District offered in fiscal year 2014. The student has now chosen to utilize the program offered by the School District. Catastrophic aid has been forecasted to decrease to \$4,000 for the remainder of the forecast period as a result.

Revenue Sources	Forecasted Fiscal Year 2015	Forecasted Fiscal Year 2016	Forecasted Fiscal Year 2017	Forecasted Fiscal Year 2018	Forecasted Fiscal Year 2019
Career Technology	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Medicaid	23,000	23,000	23,000	23,000	23,000
Catastrophic Aid	27,000	4,000	4,000	4,000	4,000
Economic Disadvantage Funding	43,000	43,000	43,000	43,000	43,000
Totals	<u>\$95,000</u>	<u>\$72,000</u>	<u>\$72,000</u>	<u>\$72,000</u>	<u>\$72,000</u>

Restricted Federal Grants-in-Aid

In 2010, Congress passed, and the President signed, legislation that provided \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant could be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The School District received \$111,000 in fiscal year 2012, and chose to use these funds for salaries for teachers. There are no restricted Federal grants-in-aid monies expected for the forecast period.

Property Tax Allocation

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

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2015 through June 30, 2019

In 2014, property taxes decreased on properties within the tax increment and residential improvement district. There was a one-time correction and property taxes decreased but homestead and rollback was not affected. During the forecast period, homestead and rollback will increase comparatively to the increase in property tax revenue due to new construction. The School District has an emergency levy expiring in collection year 2017. While the School District anticipates renewing this levy, voter approval is uncertain and the homestead and rollback revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levy. In fiscal year 2017, the School District anticipates a decrease of \$73,000 for half a year collection of the expiring 8.2 mill emergency levy.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2014. Beginning in fiscal year 2015, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2014, the School District received \$286,000 of reimbursement for the tangible personal property tax phase-out. This is consistent with the amount received in fiscal year 2013. For fiscal years 2015 through 2019 the School District anticipates receiving the same amount received in 2013 and 2014 of \$286,000. Per the County Auditor's office the School District will continue to receive the full amount throughout the forecast period.

Revenue Sources	Forecasted Fiscal Year 2015	Forecasted Fiscal Year 2016	Forecasted Fiscal Year 2017	Forecasted Fiscal Year 2018	Forecasted Fiscal Year 2019
Homestead and Rollback	\$1,248,000	\$1,255,000	\$1,182,000	\$1,109,000	\$1,115,000
Tangible Personal Property					
Loss Reimbursement	286,000	286,000	286,000	286,000	286,000
Totals	<u>\$1,534,000</u>	<u>\$1,541,000</u>	<u>\$1,468,000</u>	<u>\$1,395,000</u>	<u>\$1,401,000</u>

All Other Revenues

All other revenues include tuition, interest, rentals, extracurricular (pay to participate), contributions and donations, tax increment and residential improvement district financing, and other revenue.

Open enrollment tuition revenue has fluctuated over the past several years. In fiscal year 2012, the School District expanded the open enrollment program to include grades 1 through 12. In previous years, the program was only available to students in grades 9 through 12. Fiscal year 2012 saw a significant increase in open enrollment students. In fiscal years 2013 and 2014, the open enrollment program still includes grades 1 through 12. The School District had a decrease in students in fiscal years 2013 and 2014. The School District has seen an increase in students for 2015 and is expected to remain consistent for the forecast years 2015 through 2019.

Other Tuition is made up of classroom fees, preschool fees and other miscellaneous fees that students incur and is expected to remain consistent throughout the forecast period.

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to increase due to overall fund balance increase forecasted.

The School District receives tax increment and residential improvement district financing revenues from the City of Monroe. The increase is due to a retroactive correction of properties that were added to the tax increment and residential improvement district. Fiscal year 2015 is anticipated to decrease due to accurate year properties in this classification after retroactive change in fiscal year 2014. The forecast period from 2016 through 2019 is anticipated to remain consistent with fiscal year 2015.

Extracurricular (Pay to Participate) was new in fiscal year 2013. The monies were posted to the general fund instead of the athletics fund to offset costs of extracurricular activities cost paid from the general fund. The extracurricular fees are expected to decrease due to a cap on fees. Students will no longer have to pay for more than two sports. Families will also have an overall cap of \$1,000 regardless of how many children they have participating in sports.

All other revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Open Enrollment Tuition	\$614,000	\$614,000	\$614,000	\$614,000	\$614,000
Other Tuition	335,000	335,000	335,000	335,000	335,000
Interest	10,000	13,000	13,000	10,000	7,000
Tax Increment and Residential Improvement District Financing	3,160,000	3,160,000	3,160,000	3,160,000	3,160,000
Extracurricular (Pay to Participate)	90,000	90,000	90,000	90,000	90,000
Other Receipts	56,000	56,000	56,000	56,000	56,000
Totals	<u>\$4,265,000</u>	<u>\$4,268,000</u>	<u>\$4,268,000</u>	<u>\$4,265,000</u>	<u>\$4,262,000</u>

Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2012, the School District issued \$1,400,000 in tax anticipation notes at an interest rate of 2.25 percent. The notes matured on June 30, 2012. The School District paid the entire note back during fiscal year 2012.

During fiscal year 2013, the School District issued \$700,000 in tax anticipation notes at an interest rate of 2.25 percent. The notes matured on June 30, 2013. The School District paid the entire note back during fiscal year 2013.

The School did not issue any tax anticipation notes in fiscal year 2014. There are no anticipated notes during the forecast period.

Monroe Local School District

Butler County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Solvency Assistance Advance – During fiscal years 2012 and 2013, the School District received Solvency Assistance Fund Advances in the amount of \$2,204,000 and \$427,000, respectively, from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-93-03 of the Ohio Administrative Code. The advances will be repaid during fiscal years 2013, 2014 and 2015 from State foundation revenues.

Advances In – During fiscal year 2012, the School District advanced in \$3,102,000 from the Debt Service Fund. This amount equals the Legacy Debt accumulated within the General Fund covered by the Debt Service Fund. Repayments are due quarterly over five years.

Refund of Prior Year Expenditures – During fiscal year 2012, the School District had numerous audit adjustments for prior year corrections which were posted as refund of prior year expenditures. The School District does not anticipate any significant adjustments for fiscal years 2015-2019.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

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

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

	2012	2013	2014	2015
<i>General Fund:</i>				
Certified	144	127	130	136
Classified	33	21	20	20
Total General Fund:	177	148	150	156
<i>Other Funds:</i>				
Certified	1	0	1	2
Classified	30	28	29	24
Total Other Funds:	31	28	30	26
Totals	208	176	180	182

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Certified (teaching) staff salaries are based on a negotiated contract which includes base increases, step increases and educational incentives for existing staff. The contract covers the period beginning July 1, 2014 through June 30, 2018, and allows for step increases of 2.75 percent and base salary increases of 1.75 percent in fiscal years 2015 through 2018. The forecasted salaries for fiscal year 2019 also include both step and base increases based on historical trends of the School District. Certified salaries for fiscal year 2015 are forecasted to increase \$383,000 from fiscal year 2014 due mainly to the addition of six certified teaching positions in addition to the base and step increases. Additionally, in fiscal year 2018, additional staff will be hired due to an anticipated increase in student enrollment as well as 27 pays instead of 26 pays. For fiscal year 2019, certified salaries will decrease slightly due to an additional pay in fiscal year 2018.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract for classified staff covers the period beginning July 1, 2014 through June 30, 2018. Classified employees will receive base increases of 1.75 percent and step increases of 2.75 percent. The forecasted salaries for fiscal year 2019 also include both step and base increases based on historical trends of the School District. Classified salaries from fiscal year 2015 through 2019 anticipate an increase from base and step increases only. Also, in fiscal year 2018, the School District will pay 27 pays instead of 26 pays.

Substitute salaries for classified employees are expected to remain consistent for the forecasted period; only increasing due to base salary increases. The School District is contracting with the Educational Service Center for most long term substitute needs. However, for fiscal year 2015, the School District is anticipating one long term substitute for a non-teaching certified position. This substitute unlike the teacher substitutes will be hired by the School District.

Overtime is forecasted to remain consistent during the forecasted period due to the School District making overload payments to teachers for having more than the maximum number of students per class for an extended period of time.

Supplementary salaries are expected to increase by \$17,000 during the forecasted period due to base and step increases and due to the School District no longer contracting with the Educational Service Center for teacher mentors.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS and SERS. Severance pay to employees is equal to twenty-five percent of their unused sick leave, but not to exceed 240 days. During fiscal years 2012 and 2013, the School District offered an early retirement incentive which involved payments to participants through fiscal year 2015. The School District also offers a super bonus retirement incentive, which pays a bonus if an employee retires the first year they become eligible per STRS and SERS requirements. Severance costs are anticipated to decrease due to the last payment of the early retirement incentive from fiscal years 2012 and 2013 being paid in fiscal year 2015 and the School District had a large number of employees retire during fiscal year 2014. Severance pay anticipated during the remainder of the forecast period is based on those employees that are eligible to retire during each of the forecasted fiscal years.

Other salaries and wages are forecasted to increase slightly due to base and step increases for those employees that receive extra time payments. Board salaries are expected to remain consistent during the forecast period.

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Presented below is a comparison of salaries and wages for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015	2016	2017	2018	2019
Certified Salaries	\$7,837,000	\$8,091,000	\$8,354,000	\$9,369,000	\$9,324,000
Classified Salaries	663,000	685,000	707,000	758,000	753,000
Substitute Salaries	25,000	17,000	17,000	18,000	18,000
Overtime	95,000	95,000	95,000	95,000	95,000
Supplemental Salaries	253,000	257,000	261,000	266,000	270,000
Severance Pay and Early Retirement Incentives	307,000	148,000	0	73,000	33,000
Board Salaries	15,000	15,000	15,000	15,000	15,000
Other Salaries and Wages	15,000	16,000	17,000	17,000	18,000
Totals	<u>\$9,210,000</u>	<u>\$9,324,000</u>	<u>\$9,466,000</u>	<u>\$10,611,000</u>	<u>\$10,526,000</u>

Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. STRS payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimated and actual expenditures are prorated over the next calendar year. Starting in fiscal year 2015, the School District will pick up one percent of the STRS and SERS employee contributions. Also, the School District pays the employee retirement contributions for the superintendent and treasurer.

In years past, employer contributions to SERS have been paid six months in arrears in Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the School District to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Monroe Local School District has chosen option two, which will increase their annual payment by \$54,000 per year. The total arrearage amount is \$326,000.

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

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Coverage:	<u>Effective January 1, 2014</u>		<u>Effective January 1, 2013</u>
Health		Health	
PPO		PPO	
Single	\$565.00	Single	\$540.00
Family	1,454.00	Family	1,391.00
High Deductible Health Plan		High Deductible Health Plan	
Single	497.00	Single	475.00
Family	1,280.00	Family	1,224.00
EPO			
Single	551.00		
Family	1,419.00		
Dental		Dental	
Composite Basic	55.00	Composite	92.00
Composite Standard	85.00		
Composite Premium	92.00		
Vision		Vision	
Single	12.47	Single	12.47
Family	28.22	Family	28.22

Health care costs are based on the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug and dental care. Health care rates are fixed for a twelve month period. The increase in healthcare/dental insurance in the forecast is due to an expected 7.0 percent rate increase per year in healthcare premiums and an increase in the number of employees electing to receive healthcare coverage through the School District. The rate for dental coverage increases depending upon what level of coverage an employee chooses. Vision insurance did not experience a rate increase starting in January 2014.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program, with the School District paying the entire premium amount.

Health care, dental, and life insurance benefits increased due to an increase in premiums as well as more employees electing to take the benefits in fiscal year 2015.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The workers' compensation premium due in fiscal year 2015, is forecasted to increase from the prior year due to the School District no longer qualifying for the group rating plan. The premium for fiscal year 2015 increased to \$.7871 per hundred dollars of payroll from \$.4019 per hundred dollars of payroll.

Medicare is expected to increase with the addition of new employees.

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Starting in fiscal year 2015, the School District has reinstated tuition reimbursement for employees. Certified employees may be reimbursed for up to, but not to exceed \$1,500 per calendar year. Classified employees may be reimbursed up to but not to exceed \$600 per calendar year. The School District will only reimburse classified tuition reimbursement up to \$7,000 annually for any school year.

Social Security is expected to remain consistent for the forecasted period.

Presented below is a comparison of employees' retirement/insurance benefits for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Employer's Retirement	\$1,257,000	\$1,343,000	\$1,329,000	\$1,480,000	\$1,473,000
Health Care/Dental/Vision/Life Insurance	1,703,000	1,822,000	1,949,000	2,086,000	2,232,000
Workers' Compensation	70,000	72,000	75,000	83,000	83,000
Medicare	129,000	133,000	137,000	153,000	152,000
Social Security	1,000	1,000	1,000	1,000	1,000
Tuition Reimbursement	30,000	30,000	30,000	30,000	30,000
Total	<u>\$3,190,000</u>	<u>\$3,401,000</u>	<u>\$3,521,000</u>	<u>\$3,833,000</u>	<u>\$3,971,000</u>

Purchased Services

Presented below is a comparison of purchased services for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Professional and Technical Services	\$2,185,000	\$2,124,000	\$2,215,000	\$2,316,000	\$2,415,000
Property Services	255,000	251,000	259,000	265,000	272,000
Travel and Meeting Expenses	15,000	16,000	17,000	18,000	19,000
Communication Costs	31,000	32,000	34,000	36,000	38,000
Utility Services	502,000	531,000	563,000	595,000	630,000
Tuition Payments	1,174,000	1,178,000	1,181,000	1,185,000	1,188,000
Pupil Transportation	1,281,000	1,307,000	1,333,000	1,360,000	1,387,000
Other Purchased Services	12,000	13,000	14,000	14,000	15,000
Total	<u>\$5,455,000</u>	<u>\$5,452,000</u>	<u>\$5,616,000</u>	<u>\$5,789,000</u>	<u>\$5,964,000</u>

Professional and technical services and property services are forecasted to increase each year of the forecast with the exception of fiscal year 2016. Fiscal years 2015 and 2018 will increase due to legal fee cost for contract negotiations. The yearly increases are mainly due to the projected increase in custodial and maintenance services contracted with Sodexo per the approved agreement. Utility services costs will increase mainly due to higher electric and gas usage and known rate increases for water and sewer. Tuition payments are forecasted to increase slightly during the forecast period. The School District has seen most of the student losses to open enrollment and community schools level off. For pupil

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

transportation, the School District renewed their bus service contract in fiscal year 2014 with Peterman. In the initial renewal year, the contract renewal resulted in a ten percent decrease in fiscal year 2014. The remainder of the forecast period, a two percent increase is expected per the contract.

Supplies and Materials

Presented below is a comparison of supplies and materials for fiscal years 2015 through 2019.

	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
General Supplies, Library Books and Periodicals	\$200,000	\$206,000	\$212,000	\$218,000	\$225,000
Operations, Maintenance and Repair	204,000	192,000	197,000	203,000	208,000
Textbooks	304,000	306,000	307,000	308,000	309,000
Total	<u>\$708,000</u>	<u>\$704,000</u>	<u>\$716,000</u>	<u>\$729,000</u>	<u>\$742,000</u>

Supplies and materials are anticipated to increase during the forecast period due to the School District's review and change of subject curriculum. Starting in fiscal year 2015, the School District will be replacing all textbooks of one subject course. The purchase of new textbooks, by subject will continue for the forecasted years. Operations, maintenance and repair increased with the exception of fiscal year 2016.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general services are recorded as expenditures. The School District intends to update and replace equipment in each year of the forecast period. In addition, the School District anticipates the need to add a four classroom modular unit onto the elementary building during fiscal year 2017 and another four classroom unit onto the high school in fiscal year 2018.

Debt Service

For fiscal year 2013 and 2014, Monroe Local School District posted debt service payments for the stadium lease, field house lease, roof lease, and certificates of participation in the permanent improvement fund. This change was approved by the financial oversight committee in fiscal year 2013. The debt service payments for these types of debt are anticipated to be paid by the permanent improvement fund during the forecast period.

The outstanding balances and fiscal year 2015 principal payment for general fund supported debt consists of the following:

Type	Maturity Date	Balance at 6/30/14	Principal Payment	Interest Payment
Solvency Assistance Advance	June 30, 2015	213,000	213,000	0

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies
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During fiscal year 2012, the School District received \$2,204,000 in a solvency assistance advance. The advance is repaid with the State foundation monies in the amount of \$1,102,000 in fiscal years 2013 and 2014.

During fiscal year 2013, the School District received \$427,000 in a solvency assistance advance. The advance is repaid with the State foundation monies in the amount of \$214,000 and \$213,000 in fiscal years 2014 and 2015, respectively.

Other Objects

Other object expenditures consist of dues and fees, insurance and awards. Other object expenditures are forecasted to increase in fiscal year 2015 due to property tax collection fees increasing due to increased collections. In fiscal years 2016 through fiscal year 2019, a marginal increase is forecasted.

Transfers and Advances Out

For fiscal years 2015, 2016 and 2017, \$620,000 in advances out are anticipated to be made to the debt service fund to cover the repayment of the legacy debt. The Auditor of State's Office is allowing the School District to repay the legacy debt back over five years by making quarterly advances. The general fund does not anticipate having additional advances for the forecast period.

Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecasted at \$500,000 for June 30, 2015 through 2019.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The School District anticipates for fiscal years 2015 through 2019 that the offsets needed during these fiscal years will be covered due to the permanent improvement tax levy and unused offsets from debt issued for constructing new schools. Therefore, no reserve for capital acquisition and improvements is forecasted.

Monroe Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2015 through June 30, 2019

Note 10 - Legacy Debt Fund Balance Adjustment

In prior years, the School District made general fund debt obligation payments out of the debt service fund. During the financial audit of fiscal year 2011 that occurred in fiscal year 2012, an adjustment was made to move the total payments of \$3,102,000 from the debt service fund to the general fund.

Note 11 – Pending Litigation

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

Note 12 – Levies

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

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 2004	Emergency (Renewal)	\$1,500,000	5 Years	Passed
August 2008	Emergency (Renewal)	930,418	5 Years	Passed
August 2008	Emergency	1,119,280	5 Years	Failed
November 2006	Emergency	1,119,280	5 Years	Passed
March 2008	Bond	28,000,000	28 Years	Failed
November 2009	Substitute	3,549,698	5 Years	Passed
August 2012	Emergency	2,503,508	5 Years	Failed
November 2012	Emergency	2,503,508	5 Years	Passed

Note 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecast period.



Dave Yost • Auditor of State

MONROE LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 25, 2014**