



**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

REGULAR AUDIT

FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General-Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Group - June 30, 2000	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types - For the Period April 12, 2000 through June 30, 2000	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types - For the Period April 12, 2000 through June 30, 2000	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type - For the Period April 12, 2000 through June 30, 2000	10
Combined Statement of Cash Flows - Proprietary Fund Type - For the Period April 12, 2000 through June 30, 2000	11
Notes to the General-Purpose Financial Statements	13
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	27

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Local School District
Butler County
30 Overbrook Drive, Suite D
Monroe, Ohio 45050

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Monroe Local School District, Butler County, Ohio (the District), as of June 30, 2000 and for the period April 12, 2000 through June 30, 2000. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Local School District, Butler County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the period April 12, 2000 through June 30, 2000, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

May 18, 2001

This page intentionally left blank.

This page intentionally left blank.

**Monroe Local School District
Butler County**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$350,000	\$50,000	\$0	\$150,000
Receivables:				
Taxes	5,075,213	2,648,916	53,294	0
Accounts	481	0	0	0
Due from Middletown City Schools	340,021	208,704	0	0
Fixed Assets (Net, if applicable, of Accumulated Depreciation)	0	0	0	0
Total Assets and Other Debits	\$5,765,715	\$2,907,620	\$53,294	\$150,000
<u>Liabilities:</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$69,272	\$1,391	\$0	\$0
Due to Students	0	0	0	0
Deferred Revenue	4,744,770	2,445,438	49,190	0
Total Liabilities	4,814,042	2,446,829	49,190	0
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	201,835	0	0	0
Reserved for Property Taxes	330,443	203,478	4,104	0
Unreserved, Undesignated	419,395	257,313	0	150,000
Total Fund Equity and Other Credits	951,673	460,791	4,104	150,000
Total Liabilities, Fund Equity and Other Credits	\$5,765,715	\$2,907,620	\$53,294	\$150,000

See accompanying notes to the general-purpose financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	
\$0	\$0	\$0	\$550,000
0	0	0	7,777,423
0	0	0	481
0	12,821	0	561,546
<u>13,895</u>	<u>0</u>	<u>6,754,010</u>	<u>6,767,905</u>
<u>\$13,895</u>	<u>\$12,821</u>	<u>\$6,754,010</u>	<u>\$15,657,355</u>
\$120	\$0	\$0	\$70,783
0	12,821	0	12,821
<u>0</u>	<u>0</u>	<u>0</u>	<u>7,239,398</u>
<u>120</u>	<u>12,821</u>	<u>0</u>	<u>7,323,002</u>
0	0	6,754,010	6,754,010
13,775	0	0	13,775
0	0	0	201,835
0	0	0	538,025
<u>0</u>	<u>0</u>	<u>0</u>	<u>826,708</u>
<u>13,775</u>	<u>0</u>	<u>6,754,010</u>	<u>8,334,353</u>
<u>\$13,895</u>	<u>\$12,821</u>	<u>\$6,754,010</u>	<u>\$15,657,355</u>

This page intentionally left blank.

**Monroe Local School District
Butler County**

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Period April 12, 2000 through June 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$330,443	\$203,478	\$4,104	\$0	\$538,025
Intergovernmental	690,021	258,704	0	150,000	1,098,725
Tuition and Fees	481	0	0	0	481
Total Revenues	1,020,945	462,182	4,104	150,000	1,637,231
<u>Expenditures:</u>					
Support Services:					
Pupils	0	778	0	0	778
Administration	58,308	0	0	0	58,308
Fiscal	856	0	0	0	856
Operation and Maintenance of Plant	10,108	0	0	0	10,108
Extracurricular Activities	0	613	0	0	613
Total Expenditures	69,272	1,391	0	0	70,663
Excess of Revenues Over (Under) Expenditures	951,673	460,791	4,104	150,000	1,566,568
Fund Balances at Beginning of Year	0	0	0	0	0
Fund Balances at End of Year	\$951,673	\$460,791	\$4,104	\$150,000	\$1,566,568

See accompanying notes to the general-purpose financial statements.

**Monroe Local School District
Butler County**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Period April 12, 2000 through June 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	0	350,000	350,000
Total Revenues	0	350,000	350,000
<u>Expenditures:</u>			
Current:			
Support Services:			
Administration	200,000	100,000	100,000
Operation and Maintenance of Plant	200,000	101,835	98,165
Total Expenditures	400,000	201,835	198,165
Excess of Revenues Over (Under) Expenditures	(400,000)	148,165	548,165
Fund Balances at Beginning of Year	0	0	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances at End of Year	(\$400,000)	\$148,165	\$548,165

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$0</u>	<u>\$150,000</u>	<u>\$150,000</u>

*Monroe Local School District
Butler County*

*Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Period April 12, 2000 through June 30, 2000*

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Total Operating Revenues	<u>0</u>
<u>Operating Expenses:</u>	
Materials and Supplies	<u>120</u>
Total Operating Expenses	<u>120</u>
Net Income	(120)
Retained Earnings/Fund Balance at Beginning of Year	<u>0</u>
Retained Earnings/Fund Balance at End of Year	<u>(120)</u>
Contributed Capital at Beginning of Year	0
Capital Contributed From Middletown City Schools	73,170
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(59,275)</u>
Contributed Capital at End of Year	<u>13,895</u>
Total Fund Equity at End of the Year	<u><u>\$13,775</u></u>

See accompanying notes to the general-purpose financial statements.

**Monroe Local School District
Butler County**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Period April 12, 2000 through June 30, 2000**

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Net Cash Used for Operating Activities	<u>0</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Subsidies Received	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	<u>0</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>0</u>
Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u><u>\$0</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>	
Operating Income (Loss)	<u>(\$120)</u>
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Payable	<u>120</u>
Total Adjustments	<u>120</u>
Net Cash Used for Operating Activities	<u><u>\$0</u></u>

See accompanying notes to the general-purpose financial statements.

This page intentionally left blank.

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Monroe Local School District (the "School District") was organized in 2000 after splitting from the Middletown City School District. On September 14, 1999, the Ohio State Board of Education approved a resolution that allowed only residents living in the city limits of Monroe and portions of Lemon Township to decide at the March 7, 2000 election whether to establish a separate Monroe Local School District. The ballot was approved and on April 12, 2000, the State Board of Education appointed, by resolution, the five-member Monroe Local School District Board of Education. The transfer of assets was made to the Monroe Local School District on June 30, 2000.

The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

Reporting Entity

The reporting entity is composed of the primary government. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Monroe Local School District, this includes general operations, food service, and student related activities of the School District.

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations are the Southwest Ohio Computer Association (SWOCA) and the Butler County Joint Vocational School. These organizations are presented in Note 9 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's Proprietary Fund Type:

Enterprise Fund

The Enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's only fiduciary fund is an Agency fund, which is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. Account Group:

To make a clear distinction between fixed assets related to specific funds and those of general government the following account group is used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal period or soon enough thereafter to be used to pay liabilities of the current fiscal period. The available period for the School District is sixty days after fiscal period end.

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, which is intended to finance fiscal year 2001 operations, has been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. 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. The legal level of budgetary control is at the object level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the object level for all funds.

1. Tax Budget:

The District was formed on April 12, 2000 and on June 5, 2000, the Superintendent and Treasurer submitted to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The District did not submit an operating budget for the period April 12, 2000 through June 30, 2000.

On June 5, the Board-adopted budget for the fiscal year beginning July 1, 2001 was filed with the Butler County Budget Commission for rate determination. The District did not file a budget with the Butler County Budget Commission for rate determination for the period April 12, 2000 through June 30, 2000.

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

The District began accepting tax rates as determined by the Budget Commission for the fiscal year beginning July 1, 2001, and received the Commission's certificate of estimated resources for the fiscal year beginning July 1, 2001.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund, function or object appropriations within a fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, no supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts. Formal budgetary integration is employed as a management control device by the Board of Education, during the year for all funds, other than agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal period 2000, the School District had no investments.

E. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

F. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

G. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

H. Estimates

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

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Total Columns on General-Purpose Financial Statements

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

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$951,673	\$460,791	\$4,104	\$150,000
Adjustments:				
Revenue Accruals	(670,945)	(412,182)	(4,104)	0
Expenditure Accruals	69,272	1,391	0	0
Encumbrances	(201,835)	0	0	0
Budget Basis	\$148,165	\$50,000	\$0	\$150,000

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

4. DEPOSITS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

4. DEPOSITS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal period end, the carrying amount of the School District's deposits was \$550,000 and the bank balance was \$549,985. Of the bank balance:

1. \$100,000 was covered by federal depository insurance, other insurance or collateralized with securities held in the entity's name; and
2. \$450,000 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: The School District had no investments during the period.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District will receive property taxes from Butler County. The Butler County Auditor periodically advances to the Middletown School District the taxes collected for Middletown City School District and Monroe Local School District. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal period 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The Middletown City School District will allocate property tax revenue collected from the County Auditor from July 1 to December 31, 2000 to the School District within 5 days of receipt. Tax advances received by Middletown will be divided with 83% to Middletown and 17% to the School District. Upon final settlement from the County Auditor, the final distribution of taxes and fees will be made to each district based upon information provided by the County Auditor. This division will continue until December 31, 2001, provided the School District actually receives property tax revenue from residents or businesses located within the boundaries of the School District. No division of tax revenues shall take place after January 1, 2002.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

6. RECEIVABLES

Receivables at June 30, 2000, consisted of accounts, taxes and monies due from Middletown City Schools. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the ability of Middletown Schools to pay based on the Memorandum of Agreement for Separation of the districts.

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

7. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$73,170
Less Accumulated Depreciation	<u>(59,275)</u>
Net Fixed Assets	<u><u>\$13,895</u></u>

A summary of the changes in general fixed assets during fiscal period 2000 follows:

Asset Category	Balance at April 12, 2000	Additions	Deletions	Balance at June 30, 2000
Land/Improvements	\$0	\$311,529	\$0	\$311,529
Buildings and Improvements	0	3,563,755	0	3,563,755
Furniture/Equipment	0	2,878,726	0	2,878,726
Totals	<u>\$0</u>	<u>\$6,754,010</u>	<u>\$0</u>	<u>\$6,754,010</u>

All additions were items received from Middletown City School District as part of the school district split. Additional information about the transfer of general fixed assets can be found in Note 12.

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2000 fiscal period, the District contracted with Nationwide Insurance Company for general liability insurance coverage with a \$1,000,000 single occurrence limit and a \$1,000,000 aggregate limit covering all employees and volunteers of the District.

The buildings and property for the District are protected under a blanket coverage basis with the Cincinnati Insurance Company. Property coverage is on a cost replacement basis with a deductible of \$1,000. The Cincinnati Insurance Company also provides coverage for the District's boilers and machinery under a separate policy with similar limits.

Vehicle insurance coverage for the District's school buses and other vehicles is provided by the Nationwide Insurance under a combined liability limit of \$1,000,000 per occurrence for bodily injury and property damage.

9. JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. The Board of SWOCA

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the Board. The School District paid SWOCA \$0 for services provided during the year. Financial information can be obtained from Mike Crumley, Executive Director, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

The Butler County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. It possesses its own budgeting and taxing authority. Butler County Joint Vocational School District was formed to provide vocational education opportunities to the students of Butler County, including students of the District. Financial information can be obtained from Mr. Wayne Bethel, who serves as Treasurer, at 3604 Hamilton-Middletown Road, Hamilton, Ohio 45011.

10. SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal period ended June 30, 2000, the School District received no school foundation support.

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

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

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

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

11. CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

Litigation:

There are currently no matters in litigation with the School District as defendant.

12. CREATION OF SCHOOL DISTRICT

The district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District. The separation was approved by a March 7, 2000 vote by the residents of the district. The State Board of Education appointed, by resolution, the five-member Monroe Local School District Board of Education on April 12, 2000. In order to provide a smooth transition, a Memorandum of Understanding was agreed to by both school districts, with the assistance of the Ohio Department of Education. In accordance with the terms of the Memorandum, cash and general fixed assets that existed at year-end were apportioned equitably between the two school districts. The distribution of general fixed assets is disclosed later in this Note as well as in Note 7.

Transfer of Fixed Assets

The Memorandum of Understanding required that all physical assets located within the boundaries of the School District, would remain with the new district. In addition, the Middletown School District agreed to transfer additional fixed assets until a minimum of 14% of the total asset book value was apportioned to the School District. These additional assets transferred included school buses, classroom furniture, computers, and other similar operational items.

Transfer of Cash

The Memorandum of Understanding also required an apportionment of cash and investments between the school districts that resulted in an equitable division of available cash balances at June 30, 2000. The school district arrived at a cash distribution formula that recognized the allocated cash balances based upon the relative percentage of revenue from state funding and local property taxes. The following table outlines the apportionment of cash to the School District as a result of the separation of school districts:

**MONROE LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD APRIL 12, 2000 THROUGH JUNE 30, 2000
(Continued)**

12. CREATION OF SCHOOL DISTRICT (Continued)

**Summary of Cash Apportionment
from Middletown City Schools**

General Fund	\$690,021
Emergency Levy Fund	223,593
Permanent Improvement Fund	150,000
Pupil School Support Fund	9,619
Athletic Fund	25,492
Total Cash	<u><u>\$1,098,725</u></u>

Note: The amounts reported on the Combined Balance Sheet as Due from Middletown City Schools represents the portion of the cash apportionment received by the School District after fiscal period end.

13. SUBSEQUENT EVENTS

Tax Levy

The School District passed a renewal tax levy on the May 8, 2001 ballot. This levy will provide an estimated \$930,418 per year for a five year period.

Transfer of Assets

The School District is in ongoing negotiations related to the distribution of assets from Middletown School District. In management's opinion, the outcome of these negotiations will not materially affect the financial statements. Any additional distribution of assets will be reflected in the financial statements related to the fiscal year that the distribution occurs.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Monroe Local School District
Butler County
30 Overbrook Drive, Suite D
Monroe, Ohio 45050

To the Board of Education:

We have audited the financial statements of the Monroe Local School District, Butler County, Ohio (the District), as of June 30, 2000 and for the period April 12, 2000 through June 30, 2000, and have issued our report thereon dated May 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States except as noted above.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters related to compliance that we have reported to management of the District in a separate letter dated May 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated May 18, 2001.

Monroe Local School District
Butler County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

May 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

MONROE LOCAL SCHOOL DISTRICT

BULTER 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
JULY 24, 2001**