



**Auditor of State
Betty Montgomery**

**MIAMI TRACE LOCAL SCHOOL DISTRICT
FAYETTE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Miami Trace Local School District
Fayette County
1400 U.S. Rt. 22 NW
Washington Courthouse, Ohio 43160

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, Governmental Accounting Standards Board Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis) are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 9, 2004

**MIAMI TRACE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

The discussion and analysis of Miami Trace Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1.79 million. Net assets of governmental activities increased \$1.68 million which represents a 29.2% increase from 2002. Net assets of business-type activities increased \$0.11 million or 328.0% from 2002.
- General revenues accounted for \$18.53 million in revenue or 83.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.69 million or 16.6% of total revenues of \$22.21 million.
- Total assets of governmental activities increased by \$2.32 million as taxes receivable increased by \$1.79 million while cash and other receivables increased by \$0.29 million.
- The District had \$19.43 million in expenses related to governmental activities; \$2.73 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$18.38 million were adequate to provide for these programs.
- As the major fund, the General Fund had \$19.20 million in revenues and \$17.64 million in expenditures. The General Fund balance increased from \$1.57 to \$3.11 million.

Using the Basic Financial Statements

This annual report consist of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, “How did we do financially during 2003?” The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District’s food service, uniform school supply and special enterprises are reported as business activities.

Reporting the District’s Most Significant Funds

Fund Financial Statements

The analysis of the District’s major fund is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District’s major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant fund.

The District has three kinds of funds:

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds The District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Assets						
Current and Other Assets	\$10,590,915	\$12,967,832	\$72,949	\$98,626	\$10,663,864	\$13,066,458
Capital Assets	<u>4,235,328</u>	<u>4,470,075</u>	<u>130,087</u>	<u>98,667</u>	<u>4,365,415</u>	<u>4,568,742</u>
Total Assets	<u>14,826,243</u>	<u>17,437,907</u>	<u>203,036</u>	<u>197,293</u>	<u>15,029,279</u>	<u>17,635,200</u>
Liabilities						
Long-Term Liabilities	1,025,764	743,057	29,241	1,178	1,055,005	744,235
Other Liabilities	<u>8,031,733</u>	<u>9,241,732</u>	<u>206,092</u>	<u>122,463</u>	<u>8,237,825</u>	<u>9,364,195</u>
Total Liabilities	<u>9,057,497</u>	<u>9,984,789</u>	<u>235,333</u>	<u>123,641</u>	<u>9,292,830</u>	<u>10,108,430</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	4,235,328	4,470,075	130,087	98,667	4,365,415	4,568,742
Restricted	479,619	619,660	0	0	479,619	619,660
Unrestricted	<u>1,053,799</u>	<u>2,363,383</u>	<u>(162,384)</u>	<u>(25,015)</u>	<u>891,415</u>	<u>2,338,368</u>
Total Net Assets	<u>\$5,768,746</u>	<u>\$7,453,118</u>	<u>(\$32,297)</u>	<u>\$73,652</u>	<u>\$5,736,449</u>	<u>\$7,526,770</u>

For governmental activities total current assets increased \$2.31 million. Equity in pooled cash and cash equivalents increased \$0.65 million. Taxes receivable increased \$1.79 million. Total liabilities increased \$0.93 million, resulting in a net asset increase of \$1.70 million.

The net assets of the District business-type activities increased by \$0.11 million. Since the increase was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues:			
Charges for Services	\$681,565	\$661,376	\$1,342,941
Operating Grants	1,964,729	297,737	2,262,466
Capital Grants	85,376	0	85,376
General Revenue:			
Property Taxes	8,552,264	0	8,552,264
Grants and Entitlements	9,532,410	0	9,532,410
Other	<u>296,575</u>	<u>144,582</u>	<u>441,157</u>
Total Revenues	<u>21,112,919</u>	<u>1,103,695</u>	<u>22,216,614</u>
Program Expenses:			
Instruction	10,222,718	0	10,222,718
Support Services:			
Pupil and Instructional Staff	2,362,345	0	2,362,345
General and School Administrative, Fiscal and Business	2,766,792	0	2,766,792
Operations and Maintenance	1,771,404	0	1,771,404
Pupil Transportation	1,604,903	0	1,604,903
Central	152,112	0	152,112
Community Services	36,312	0	36,312
Extracurricular Activities	511,961	0	511,961
Food Service	0	883,300	883,300
Uniform School Supply	0	225	225
Special Enterprises	<u>0</u>	<u>114,221</u>	<u>114,221</u>
Total Expenses	<u>19,428,547</u>	<u>997,746</u>	<u>20,426,293</u>
Increase in Net Assets	<u>\$1,684,372</u>	<u>\$105,949</u>	<u>\$1,790,321</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and capital project purposes, and grants and entitlements comprised 86% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 53% of governmental program expenses. Support services expenses were 44% of governmental program expenses. All other program expenses were 3%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$10,222,718	\$8,592,745
Support Services:		
Pupil and Instructional Staff	2,362,345	1,822,525
General and School Administration, Fiscal and Business	2,766,792	2,526,351
Operations and Maintenance	1,771,404	1,756,095
Pupil Transportation	1,604,903	1,519,527
Central	152,112	111,282
Community Services	36,312	36,312
Extracurricular Activities	<u>511,961</u>	<u>332,040</u>
Total Expenses	<u>\$19,428,547</u>	<u>\$16,696,877</u>

Business-Type Activities

Business-type activities, include the food service, uniform school supply and special enterprises. These programs had revenues of \$1.10 million and expenses of \$1.00 million for fiscal year 2003.

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements (see Table of Contents). These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,099,299 and expenditures and other financing uses of \$20,162,791. The net change in fund balance for the year was \$936,508, or 3.5%.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$18.55 million, above original budget estimates of \$16.91 million. Of this \$1.64 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$0.56 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$4.57 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Land	\$211,261	\$211,261	\$0	\$0	\$211,261	\$211,261
Land Improvements	277,128	278,576	0	0	277,128	278,576
Buildings and Improvements	1,963,655	1,962,263	32,301	30,217	1,995,956	1,992,480
Equipment	<u>1,783,284</u>	<u>2,017,975</u>	<u>97,786</u>	<u>68,450</u>	<u>1,881,070</u>	<u>2,086,425</u>
Total Net Assets	<u>\$4,235,328</u>	<u>\$4,470,075</u>	<u>\$130,087</u>	<u>\$98,667</u>	<u>\$4,365,415</u>	<u>\$4,568,742</u>

The increase in capital assets is due to additions made in land improvements and equipment. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had no debt.

For the Future

The Ohio Supreme Court found the State of Ohio in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997 the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001 the Ohio legislature crafted a school-funding program to address the Court's concerns. In 2003 the funding program was modified as a result of Amended Substitute House Bill 95.

In May of 2002 the District's voters approved a five-year \$2,755,000 emergency operating levy that along with the state-funding program in place at the time, would have kept the district financially stable through fiscal year 2007. District operations are funded nearly equal from the state funding system and local tax dollars. However, due to the changes from HB95, the District's five-year forecast only projects a positive balance through fiscal year 2006. State funding changes can have a material impact on the District's financial stability.

A major financial challenge of the District is the facilities. With the exception of the central office and preschool complex, the age of the buildings are a problem. The high school was built in 1962 and the remaining junior high and 7 elementary buildings are over 75 years old. The funds required to maintain the buildings continues to impact the District's finances. New buildings are a future goal of the District.

The uncertainty of the methods of state funding, available local tax resources, and the District's facility challenges require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 1400 US 22 NW, Washington C. H., Ohio 43160 or e-mail at miami_tres@mveca.org.

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Miami Trace Local School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$3,509,269	\$89,753	\$3,599,022
Restricted Cash and Investments	208	0	208
Receivables:			
Taxes	9,129,195	0	9,129,195
Accounts	49,852	149	50,001
Interest	302	0	302
Intergovernmental	279,006	0	279,006
Inventory	0	8,724	8,724
Nondepreciable Capital Assets	211,261	0	211,261
Depreciable Capital Assets, Net	4,258,814	98,667	4,357,481
Total Assets	17,437,907	197,293	17,635,200
Liabilities:			
Accounts Payable	127,101	5,926	133,027
Accrued Wages and Benefits	2,546,090	111,782	2,657,872
Claims Payable	291,911	0	291,911
Deferred Revenue	6,276,630	4,755	6,281,385
Long-Term Liabilities:			
Due Within One Year	236,356	884	237,240
Due In More Than One Year	506,701	294	506,995
Total Liabilities	9,984,789	123,641	10,108,430
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,470,075	98,667	4,568,742
Restricted for:			
Capital Projects	353,199	0	353,199
Special Revenue	266,461	0	266,461
Unrestricted (Deficit)	2,363,383	(25,015)	2,338,368
Total Net Assets	\$7,453,118	\$73,652	\$7,526,770

See accompanying notes.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$7,731,465	\$279,807	\$297,743	\$0
Special	1,645,397	106,990	442,665	0
Vocational	522,644	0	0	0
Other	323,212	0	502,768	0
Support Services:				
Pupil	1,078,039	90,438	170,795	0
Instructional Staff	1,284,306	15,136	263,451	0
General Administration	18,907	0	0	0
School Administration	2,181,450	6,000	232,058	0
Fiscal	493,286	46	2,337	0
Business	73,149	0	0	0
Operations and Maintenance	1,771,404	3,227	12,082	0
Pupil Transportation	1,604,903	0	0	85,376
Central	152,112	0	40,830	0
Community Services	36,312	0	0	0
Extracurricular Activities	511,961	179,921	0	0
Total Governmental Activities	19,428,547	681,565	1,964,729	85,376
Business-Type Activities:				
Food Service	883,300	661,242	297,737	0
Uniform School Supply	225	0	0	0
Special Enterprises	114,221	134	0	0
Total Business-Type Activities	997,746	661,376	297,737	0
Totals	\$20,426,293	\$1,342,941	\$2,262,466	\$85,376

General Revenues:
Property Taxes Levied for:
 General Purposes
 Capital Projects
Grants and Entitlements not Restricted to Specific Programs
Payment in Lieu of Taxes
Investment Earnings
Other Revenues
Transfers-Internal Activities

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$7,153,915)	\$0	(\$7,153,915)
(1,095,742)	0	(1,095,742)
(522,644)	0	(522,644)
179,556	0	179,556
(816,806)	0	(816,806)
(1,005,719)	0	(1,005,719)
(18,907)	0	(18,907)
(1,943,392)	0	(1,943,392)
(490,903)	0	(490,903)
(73,149)	0	(73,149)
(1,756,095)	0	(1,756,095)
(1,519,527)	0	(1,519,527)
(111,282)	0	(111,282)
(36,312)	0	(36,312)
(332,040)	0	(332,040)
<u>(16,696,877)</u>	<u>0</u>	<u>(16,696,877)</u>
0	75,679	75,679
0	(225)	(225)
<u>0</u>	<u>(114,087)</u>	<u>(114,087)</u>
0	(38,633)	(38,633)
<u>(\$16,696,877)</u>	<u>(\$38,633)</u>	<u>(\$16,735,510)</u>
8,409,542	0	8,409,542
142,722	0	142,722
9,532,410	0	9,532,410
131,271	0	131,271
48,777	691	49,468
156,527	103,891	260,418
(40,000)	40,000	0
<u>18,381,249</u>	<u>144,582</u>	<u>18,525,831</u>
1,684,372	105,949	1,790,321
<u>5,768,746</u>	<u>(32,297)</u>	<u>5,736,449</u>
<u>\$7,453,118</u>	<u>\$73,652</u>	<u>\$7,526,770</u>

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$2,555,546	\$626,927	\$3,182,473
Restricted Cash and Investments	208	0	208
Receivables:			
Taxes	9,129,195	0	9,129,195
Accounts	17,838	2,884	20,722
Interest	10	0	10
Intergovernmental	7,164	271,842	279,006
Interfund	10,000	0	10,000
Total Assets	11,719,961	901,653	12,621,614
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	51,001	76,100	127,101
Accrued Wages and Benefits	2,251,817	180,762	2,432,579
Compensated Absences	34,459	0	34,459
Interfund Payable	0	10,000	10,000
Deferred Revenue	6,275,338	111,590	6,386,928
Total Liabilities	8,612,615	378,452	8,991,067
Fund Balances:			
Reserved for Encumbrances	332,570	49,868	382,438
Reserved for Property Tax Advances	2,853,857	0	2,853,857
Reserved for Set-Aside	208	0	208
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(79,289)	0	(79,289)
Special Revenue Funds	0	120,134	120,134
Capital Projects Funds	0	353,199	353,199
Total Fund Balances	3,107,346	523,201	3,630,547
Total Liabilities and Fund Balances	\$11,719,961	\$901,653	\$12,621,614

See accompanying notes.

Miami Trace Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2003

Total Governmental Fund Balance		\$3,630,547
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,470,075
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		110,298
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		64,307
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Accrued Wages & Benefits	(113,511)	
Compensated Absences	(708,598)	
Total		<u>(822,109)</u>
Net Assets of Governmental Activities		<u><u>\$7,453,118</u></u>

See accompanying notes.

Miami Trace Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$8,409,543	\$142,722	\$8,552,265
Tuition and Fees	299,839	0	299,839
Investment Earnings	38,123	10,654	48,777
Intergovernmental	10,206,479	1,390,090	11,596,569
Extracurricular Activities	15,485	256,238	271,723
Other Revenues	232,826	72,134	304,960
Total Revenues	19,202,295	1,871,838	21,074,133
Expenditures:			
Current:			
Instruction:			
Regular	7,559,949	480,938	8,040,887
Special	1,109,976	525,950	1,635,926
Vocational	503,501	9,860	513,361
Other	323,211	1	323,212
Support Services:			
Pupil	800,521	304,650	1,105,171
Instructional Staff	915,669	358,063	1,273,732
General Administration	18,907	0	18,907
School Administration	1,984,154	190,944	2,175,098
Fiscal	484,633	15,249	499,882
Business	72,814	217	73,031
Operations and Maintenance	1,887,056	223,878	2,110,934
Pupil Transportation	1,567,465	106,028	1,673,493
Central	106,757	45,355	152,112
Community Services	35,488	0	35,488
Extracurricular Activities	269,658	207,663	477,321
Total Expenditures	17,639,759	2,468,796	20,108,555
Excess of Revenues Over (Under) Expenditures	1,562,536	(596,958)	965,578
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	10,930	0	10,930
Transfers In	0	14,236	14,236
Transfers (Out)	(40,000)	(14,236)	(54,236)
Total Other Financing Sources (Uses)	(29,070)	0	(29,070)
Net Change in Fund Balance	1,533,466	(596,958)	936,508
Fund Balance Beginning of Year (As Restated)	1,573,880	1,120,159	2,694,039
Fund Balance End of Year	\$3,107,346	\$523,201	\$3,630,547

See accompanying notes.

Miami Trace Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance - Total Governmental Funds \$936,508

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

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of those
 assets is allocated over their estimated useful lives as
 depreciation expense. This is the amount by which capital
 outlays exceeded depreciation in the current period. 234,747

Revenues in the statement of activities that do not provide
 current financial resources are not reported as revenues in
 the funds. 67,856

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

Accrued Wages & Benefits	(12,266)	
Compensated Absences	70,036	
Total	57,770	57,770

The internal service fund used by management to charge
 the costs of insurance to individual funds is not reported in
 the district-wide statement of activities. Governmental fund
 expenditures and the related internal service fund revenues
 are eliminated. The net revenue (expense) of the internal
 service fund is allocated among the governmental activities. 387,491

Change in Net Assets of Governmental Activities \$1,684,372

See accompanying notes.

Miami Trace Local School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Business-Type Activity Enterprise Funds	Governmental Activities- Internal Service Fund
Assets:		
Equity in Pooled Cash and Investments	\$89,753	\$326,796
Receivables:		
Accounts	149	29,130
Interest	0	292
Inventory	8,724	0
Total Current Assets	98,626	356,218
Depreciable Capital Assets, Net	98,667	0
Total Assets	197,293	356,218
Liabilities:		
Current Liabilities:		
Accounts Payable	5,926	0
Accrued Wages and Benefits	111,782	0
Compensated Absences	884	0
Claims Payable	0	291,911
Deferred Revenue	4,755	0
Total Current Liabilities	123,347	291,911
Long-Term Liabilities:		
Compensated Absences	294	0
Total Liabilities	123,641	291,911
Net Assets:		
Invested in Capital Assets, Net of Related Debt	98,667	0
Unrestricted (Deficit)	(25,015)	64,307
Total Net Assets	\$73,652	\$64,307

See accompanying notes.

Miami Trace Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds	Governmental Activities- Internal Service Fund
Operating Revenues:		
Sales	\$661,242	\$0
Charges for Services	134	0
Other Revenues	103,891	395,399
Total Operating Revenues	765,267	395,399
Operating Expenses:		
Personal Services	603,978	0
Contactual Services	17,538	0
Materials and Supplies	344,810	0
Depreciation	31,420	0
Claims	0	10,920
Total Operating Expenses	997,746	10,920
Operating Income (Loss)	(232,479)	384,479
Non-Operating Revenues (Expenses):		
Investment Earnings	691	3,012
Donated Commodities	49,661	0
Operating Grants	248,076	0
Total Non-Operating Revenues (Expenses)	298,428	3,012
Income (Loss) Before Contributions & Transfers	65,949	387,491
Transfers In	40,000	0
Change in Net Assets	105,949	387,491
Net Assets Beginning of Year	(32,297)	(323,184)
Net Assets End of Year	\$73,652	\$64,307

See accompanying notes.

Miami Trace Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds	Governmental Activities- Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$765,421	\$366,269
Cash Payments to Employees	(618,020)	0
Cash Payments to Suppliers	(307,450)	0
Cash Payments for Claims	0	(84,406)
Net Cash Provided (Used) by Operating Activities	<u>(160,049)</u>	<u>281,863</u>
Cash Flows from Noncapital Financing Activities:		
Operating Grants Received	248,076	0
Payments from Other Funds	40,000	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>288,076</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for Capital Acquisitions	(102,856)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(102,856)</u>	<u>0</u>
Cash Flows from Investing Activities:		
Earnings on Investments	691	2,976
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>691</u>	<u>2,976</u>
Net Increase (Decrease) in Cash and Cash Equivalents	25,862	284,839
Cash and Cash Equivalents Beginning of Year	63,891	41,957
Cash and Cash Equivalents End of Year	<u>89,753</u>	<u>326,796</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(232,479)	384,479
Adjustments:		
Depreciation	31,420	0
Donated Commodities	49,661	0
Changes in Assets & Liabilities:		
(Increase) Decrease in Receivables	154	(29,130)
(Increase) Decrease in Inventory	36	0
Increase (Decrease) in Payables	4,433	(73,486)
Increase (Decrease) in Accrued Liabilities	(14,042)	0
Increase (Decrease) in Deferred Revenue	768	0
Net Cash Provided (Used) by Operating Activities	<u>(\$160,049)</u>	<u>\$281,863</u>

Schedule of Noncash Capital Activities:

During the fiscal year, the Food Service Fund
received contributed food commodities valued at

\$49,661

Miami Trace Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$416,857	\$87,150
Accounts Receivable	0	97
Total Assets	<u>416,857</u>	<u>\$87,247</u>
Liabilities:		
Accounts Payable	0	6,182
Other Liabilities-Due to Students	0	81,065
Total Liabilities	<u>0</u>	<u>\$87,247</u>
Net Assets:		
Held in Trust for Scholarships	<u>416,857</u>	
Total Net Assets	<u>\$416,857</u>	

See accompanying notes.

Miami Trace Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
Additions:	
Donations	\$131,060
Investment Earnings	5,107
Other	1,120
Total Additions	<u>137,287</u>
Deductions:	
Scholarships	<u>36,250</u>
Total Deductions	<u>36,250</u>
Change in Net Assets	101,037
Net Assets Beginning of Year	<u>315,820</u>
Net Assets End of Year	<u><u>\$416,857</u></u>

See accompanying notes.

**MIAMI TRACE LOCAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

1. DESCRIPTION OF THE DISTRICT

July 1, 1955 was a historical date in Fayette County. The Miami Trace School District (the "District") was officially formed when the eight school districts of Concord, Green, Jasper, Madison, Marion, Perry, Union and Wayne merged. On January 1, 1956, with the addition of the districts of Bloomingburg, Jefferson and Paint, Miami Trace Local and Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The school district's geographical size ranks among the top five in Ohio. At the present time, approximately 2,731 students attend eight elementary schools, one junior high school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the district's instructional and support facilities staffed by 136 non-certificated personnel and 202 certificated teaching and administrative personnel to provide services to students and other community members.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with three jointly governed organizations. These organizations are discussed in the notes to the basic financial statements. These organizations are:

MVECA
Hopewell
South Central Ohio Insurance Consortium

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

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

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Fund – This fund accounts for goods and services provided by one department to other departments of the District on a cost-reimbursement basis.

Fiduciary Funds

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

3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported 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.

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments with the exception of a \$5,000 municipal bond purchased in 1986 that matures in 2011. This bond is reported at cost because it is immaterial to investments. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds and those funds individually authorized by board resolution.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$57,587.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital 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 District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20-40 years	N/A
Equipment	3-5 years	3-5 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Eligible	40 days	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

Sick Leave

How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	214 days	Per Contract Days	210 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepayments, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

4. RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$1,855,207	\$1,120,161	\$2,975,368
Fund Reclassification	<u>(281,327)</u>	<u>(2)</u>	<u>(281,329)</u>
Adjusted Fund Balances, June 30, 2002	<u>\$1,573,880</u>	<u>\$1,120,159</u>	\$2,694,039
GASB 34 Adjustments:			
Capital Assets			\$4,235,328
Compensated Absences Payable			(778,634)
Deferred Revenue			42,442
Accrued Wages and Benefits			(101,245)
Internal Service, Net Assets			<u>(323,184)</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$5,768,746</u>

At June 30, 2002, Enterprise Funds were restated due to prior period adjustments to fixed assets and advances payable. This restatement had the following effect on fund equity as it was previously reported:

	<u>Enterprise</u>
	<u>Funds</u>
Fund Equity, June 30, 2002	(\$275,869)
Prior Period Adjustment	<u>243,572</u>
Adjusted Net Assets, June 30, 2002	<u>(\$32,297)</u>

5. CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies - Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Deposits – At the year end, the carrying amount of the District's deposits was \$407,340. The bank balance of deposits was \$653,279 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$553,729 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Repurchase Agreement	\$0	\$0	\$3,353,207	\$3,353,207
Municipal Bonds	5,000	0	0	5,000
State Treasury Pool*	<u>0</u>	<u>0</u>	<u>0</u>	<u>337,690</u>
Total Investments	<u>\$5,000</u>	<u>\$0</u>	<u>\$3,353,207</u>	<u>\$3,695,897</u>

*The District's Investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

6. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available 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. The amount available as an advance at June 30, 2003, was \$2,853,857 for General Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$2,195,557 for General Fund, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 operations.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$239,889,690
Public Utility Personal	33,852,140
Tangible Personal Property	<u>31,405,510</u>
Total	<u>\$305,147,340</u>

7. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
Government Activities				
Land	\$211,261	\$0	\$0	\$211,261
Land Improvements	709,898	42,480	9,990	742,388
Buildings and Improvements	5,686,133	157,593	39,400	5,804,326
Equipment	4,486,096	551,456	501,882	4,535,670
Totals at Historical Cost	<u>\$11,093,388</u>	<u>\$751,529</u>	<u>\$551,272</u>	<u>\$11,293,645</u>
Less Accumulated Depreciation:				
Land Improvements	\$432,770	\$41,032	\$9,990	\$463,812
Buildings and Improvements	3,722,478	158,985	39,400	3,842,063
Equipment	2,702,812	316,765	501,882	2,517,695
Total Accumulated Depreciation	<u>\$6,858,060</u>	<u>\$516,782</u>	<u>\$551,272</u>	<u>\$6,823,570</u>
Governmental Activities Capital Assets, Net	<u>\$4,235,328</u>	<u>\$234,747</u>	<u>\$ 0</u>	<u>\$4,470,075</u>
Business-Type Activities				
Buildings and Improvements	\$41,679	\$ 0	\$ 0	\$41,679
Equipment	447,112	0	0	447,112
Total at Historical Cost	<u>\$488,791</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$488,791</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$9,378	\$2,084	\$ 0	\$11,462
Equipment	349,326	29,336	0	378,662
Total Accumulated Depreciation	<u>\$358,704</u>	<u>\$31,420</u>	<u>\$ 0</u>	<u>\$390,124</u>
Business-Type Activities Capital Assets, Net	<u>\$130,087</u>	<u>(\$31,420)</u>	<u>\$ 0</u>	<u>\$98,667</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$114,796
Special	16,721
Vocational	10,414
Support Services:	
Pupil	17,754
Instructional Staff	50,241
School Administration	27,605
Fiscal	1,523
Business	177
Operations and Maintenance	88,605
Pupil Transportation	153,482
Community Services	824
Extracurricular Activities	<u>34,640</u>
Total Depreciation Expense	<u>\$516,782</u>

9. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
Compensated Absences	<u>\$778,634</u>	<u>\$ 0</u>	<u>\$35,577</u>	<u>\$743,057</u>	<u>\$236,356</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$29,241</u>	<u>\$ 0</u>	<u>\$28,063</u>	<u>\$1,178</u>	<u>\$884</u>

Compensated absences will be paid from the fund from which the person is paid.

10. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$394,560, \$368,856, and \$349,941 respectively; 45.9% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,235,988, \$1,169,784, and \$1,157,700 respectively; 82.6% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

11. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$397,282 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

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

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$240,682 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

12. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

13. JOINTLY GOVERNED ORGANIZATIONS

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium a-site used by the district. MVECA is an association of 23 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA \$105,725 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Liberty-Union Thurston Local School District, 621 Washington Street, Baltimore, Ohio 43105.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District Board of Education acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The district addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance from private carriers.

General liability insurance is maintained in the amount of \$4,000,000 for each occurrence and \$6,000,000 in the general aggregate. Other liability insurance includes \$4,000,000 for fleet liability, and \$50,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$46,270,859.

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Miami Trace Local School District, the district makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The district pays for a portion of the health and dental insurances. The district pays 100% of the term life insurance. The district pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The district pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

On January 1, 1998, the District established an internal service fund to provide group health and prescription drug benefits to employees and their eligible dependents through the South Central Insurance Consortium, a formalized risk management program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience. The monies paid into the Employees Benefits Self Insurance Fund (internal service fund) are available to pay claims. A third party administrator, E.V. Benefits Management, Inc., which monitors all claims payments, administers the plan. An excess coverage insurance policy premium covers individual claims in excess of \$150,000. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$291,911 reported in the fund at June 30, 2003 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2002	\$200,185	\$1,932,166	(\$1,846,954)	\$365,397
2003	365,397	2,016,203	(2,089,689)	291,911

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

15. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

16. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in net assets at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Local Grants	\$5,388
DPIA	5,360
Title VI-B	2,994
Title II-A	585
Enterprise Fund:	
Special Enterprise	7,852

17. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2003, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, June 30, 2002	\$ 0	\$ 0	\$21,400
Amount From Prior Years Which Exceeded Required Set-Aside	(1,375,310)	N/A	N/A
Required Set-aside	372,227	372,227	N/A
Offset Credits	(188,418)	(442,557)	N/A
Qualifying Expenditures	(625,875)	(496,472)	N/A
Reduction in Accordance with Senate Bill 345	<u>N/A</u>	<u>N/A</u>	<u>21,192</u>
Balance, June 30, 2003	(1,817,376)	(566,802)	208
Balance Carried Forward to FY 2004 Reserve, June 30, 2003	<u>(\$1,817,376)</u>	<u>\$0</u>	<u>\$208</u>

Expenditures for textbook and instructional material activities during the year totaled \$625,875, and offset credits for textbook and instructional material activities totaled \$188,418, which exceeded the amount required for the set-aside by \$442,066. This amount, along with the excess amount of \$1,375,310 from fiscal year 2002, may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.

Senate Bill 345 eliminated the Budget Stabilization Reserve. Senate Bill 345 also restricted what the District may use Bureau of Workers' Compensation refunds for which the district was previously required to deposit into the Budget Stabilization Reserve. The Board of Education elected to spend the Bureau of Workers' Compensation refunds on textbooks and instructional materials, including science equipment or laboratories, and maintain the remaining balance of this reserve in a reserve established in accordance with ORC 5705.13(A). The balance in the Budget Stabilization Reserve reflects Bureau of Workers' Compensation refunds previously received in the Budget Stabilization Reserve less expenditures for textbooks and instructional materials.

Expenditures for capital activity during the year totaled \$496,472, and offsets totaled \$442,557, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$10,000	
Special Revenue Fund:		
Title V	_____	<u>\$10,000</u>
	<u>\$10,000</u>	<u>\$10,000</u>

During the year ended June 30, 2003, the General Fund transferred \$30,000 to Food Service Fund (Fund 006) and \$10,000 to the Preschool Fund (Fund 020). These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Also during the year ended June 30, 2003, Fund 514 Eisenhower Grant, transferred \$14,236 to Fund 590, Title II-A. The transfer was due to the changes in grant classifications and used to support programs and projects accounted for in Title II-A.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

Miami Trace Local School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$7,066,752	\$7,751,919	\$7,751,243	(\$676)
Tuition and Fees	281,966	312,779	309,277	(3,502)
Interest	37,095	38,358	40,688	2,330
Intergovernmental	9,304,749	10,225,201	10,206,014	(19,187)
Extracurricular Activities	14,075	16,459	15,438	(1,021)
Other Revenues	205,458	245,004	225,359	(19,645)
Total Revenues	16,910,095	18,589,720	18,548,019	(41,701)
Expenditures:				
Current:				
Instruction:				
Regular	7,441,642	7,966,147	7,626,702	339,445
Special	1,093,084	918,779	1,120,267	(201,488)
Vocational	529,160	538,859	542,319	(3,460)
Other	336,449	332,625	344,816	(12,191)
Support Services:				
Pupil	779,081	874,219	798,455	75,764
Instructional Staff	963,149	1,331,829	987,101	344,728
General Administration	18,448	23,830	18,907	4,923
School Administration	2,114,057	2,187,211	2,166,630	20,581
Fiscal	494,842	502,789	507,148	(4,359)
Business	71,827	74,454	73,613	841
Operations and Maintenance	2,005,342	2,040,027	2,055,211	(15,184)
Pupil Transportation	1,586,950	1,668,349	1,626,414	41,935
Central	108,679	118,563	111,382	7,181
Community Services	36,881	43,274	37,798	5,476
Extracurricular Activities	263,164	274,503	269,708	4,795
Capital Outlay	55,603	61,561	56,986	4,575
Total Expenditures	17,898,358	18,957,019	18,343,457	613,562
Excess of Revenues Over (Under) Expenditures	(988,263)	(367,299)	204,562	571,861
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	9,965	10,600	10,930	330
Advances In	89,346	98,000	98,000	0
Advances (Out)	(105,379)	(98,000)	(108,000)	(10,000)
Transfers (Out)	(39,029)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	(45,097)	(29,400)	(39,070)	(9,670)
Net Change in Fund Balance	(1,033,360)	(396,699)	165,492	562,191
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,010,467	2,010,467	2,010,467	0
Fund Balance End of Year	\$977,107	\$1,613,768	\$2,175,959	\$562,191

MIAMI TRACE LOCAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund, function and object level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,533,466
Net Adjustment for Revenue Accruals	(556,276)
Net Adjustment for Expenditure Accruals	(431,903)
Encumbrances	<u>(379,795)</u>
Budget Basis	<u>\$165,492</u>

**MIAMI TRACE LOCAL SCHOOL DISTRICT
FAYETTE COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$49,661	\$0	\$49,413
National School Breakfast Program	05-PU-02	10.553	54,705	0	54,705	0
	05-PU-03					
National School Lunch Program	LL-P4-02	10.555	180,308	0	180,308	0
National School Lunch Program	LL-P4-03					
Total U.S. Department of Agriculture - Nutrition Cluster			<u>235,013</u>	<u>49,661</u>	<u>235,013</u>	<u>49,413</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI B)	6B-SD-02	84.027	282,250	0	280,810	0
	6B-SF-01					
	6B-SF-02					
Total Special Education Cluster			<u>282,250</u>	<u>0</u>	<u>280,810</u>	<u>0</u>
Family Support Act - JOBS	JB-S1-95	93.021	0		1	0
	JB-S1-94					
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-02	84.010	506,155	0	525,287	0
	C1-S1-03					
Innovative Educational Program Strategies	C2-S1-03	84.298	10,176	0	24,132	0
Drug-Free Schools Grant	DR-S1-02	84.186	11,714	0	11,226	0
	DR-S1-03					
Eishenhower Prof Development State Grant	MS-S1-02	84.281	0	0	1,393	0
Education Systemic Improvement Grants	G2-SP-01	84.276	0	0	666	0
State Program Improvement Grants for Children with Disabilities	ST-S1-02	84.323	22,500	0	9,538	0
School Renovation Grants	AT-S2-02	84.352A	30,761	0	26,533	0
	AT-S3-02					
Title IID, Technology Fund	TJ-S1-03	84.318	13,667	0	13,062	0
Improving Teacher Quality State Grants	TR-S1-03	84.367	148,432	0	144,728	0
Total Department of Education			<u>1,025,655</u>	<u>0</u>	<u>1,037,376</u>	<u>0</u>
<u>U.S. DEPARTMENT OF MENTAL RETARDATION and DEVELOPMENTAL DISABILITIES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fud System (CAFS)	N/A	93.778	35,553	0	35,553	0
Total Department of Mental Retardation and Developmental Disabilities			<u>35,553</u>	<u>0</u>	<u>35,553</u>	<u>0</u>
<u>U.S. DEPARTMENT OF FEDERAL MANAGEMENT AGENCY</u>						
<i>Passed Through Ohio Adjutant General's Emergency Management Agency:</i>						
Pre-Disaster Mitigation	N/A	83.557	5,493	0	5,493	0
Total Ohio Adjutant General's Emergency Management Agency			<u>5,493</u>	<u>0</u>	<u>5,493</u>	<u>0</u>
Totals			<u><u>\$1,301,714</u></u>	<u><u>\$49,661</u></u>	<u><u>\$1,313,435</u></u>	<u><u>\$49,413</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**MIAMI TRACE LOCAL SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

Miami Trace Local School District
Fayette County
1400 U.S. Rt. 22 NW
Washington Courthouse, Ohio 43160

To the Board of Education:

We have audited the financial statements of the Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 9, 2004, which indicated that the District had implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, GASB Statement No. 37, GASB Statement No. 38, GASB Statement No. 41, and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Miami Trace Local School 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 9, 2004.

Miami Trace Local School District
Fayette County
Independent Accountants' 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 audit committee, Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 9, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Miami Trace Local School District
Fayette County
1400 U.S. Rt. 22 NW
Washington Courthouse, Ohio 43160

To the Board of Education:

Compliance

We have audited the compliance of Miami Trace Local School District, Fayette County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 9, 2004

**MIAMI TRACE LOCAL SCHOOL DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

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**MIAMI TRACE LOCAL SCHOOL DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10624-001	No Tier II SAS 70 for Third Party Health Care Insurance Administrator	Yes	

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**Auditor of State
Betty Montgomery**

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

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE 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
APRIL 6, 2004**