

NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2004

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
New Miami Local School District
600 Seven Mile Avenue
Hamilton, Ohio 45011

We have reviewed the Independent Auditor's Report of the New Miami Local School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 29, 2004

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NEW MIAMI LOCAL SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District (the School District) as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Governmental 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, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; and GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2004 on our consideration of New Miami Local School District 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 37 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as 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 of the School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
December 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District for the year ended June 30, 2004. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2004 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$12.6 million. Of this amount, \$11.7 million is invested in capital assets, net of related debt.
- ✓ In total, net assets decreased by \$.3 million.
- ✓ The School District had \$7.2 million in expenses related to governmental activities; only \$1.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$5.6 million, made up primarily of property taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by \$66,379 from \$679,346 at June 30, 2003 to \$612,967 at June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2004
Unaudited

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2004
Unaudited

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget of the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2004:

		Governmental Activities
Current and other assets	\$	3,162,449
Capital assets		<u>14,028,513</u>
Total assets		<u>17,190,962</u>
Long-term debt outstanding		2,734,996
Other liabilities		<u>1,856,998</u>
Total liabilities		<u>4,591,994</u>
Net assets:		
Invested in capital assets, net of debt		11,686,434
Restricted:		
For capital purposes		297,125
Other purposes		197,067
Unrestricted		<u>418,342</u>
Total net assets	\$	<u><u>12,598,968</u></u>

Since this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not presented. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets. Refer to the following section for discussion of the reasons for the change in net assets during the year.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2004
Unaudited

B. Governmental Activities during fiscal year 2004

The following table presents a condensed summary of the School District's activities during fiscal year 2004 and the resulting change in net assets:

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services and sales	\$ 238,658
Operating grants and contributions	1,111,404
Capital grants and contributions	<u>18,150</u>
Total program revenues	<u>1,368,212</u>
General revenues:	
Property taxes	1,539,023
Grants and entitlements	3,983,300
Investment earnings	15,174
Miscellaneous	<u>46,883</u>
Total general revenues	<u>5,584,380</u>
Total revenues	<u><u>6,952,592</u></u>
Expenses:	
Instruction	4,006,144
Support services:	
Pupil	170,798
Instructional staff	229,961
Board of Education	37,872
Administration	871,227
Fiscal	144,773
Business	31,971
Operation and maintenance of plant	714,124
Pupil transportation	366,649
Non-instructional services	175,005
Interest and fiscal charges	118,159
Food services	<u>367,637</u>
Total expenses	<u><u>7,234,320</u></u>
Change in net assets	<u><u>\$ (281,728)</u></u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2004
Unaudited

Of the total governmental activities revenues of \$6,952,592, \$1,368,212 (20%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 28% (\$1,539,023) comes from property tax levies and 71% (\$3,983,300) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

As previously mentioned, because this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not presented. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 19% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$4,006,144 but program revenue contributed to fund 22% of those costs. Thus, general revenues of \$3,126,434 were used to support of remainder of the instruction costs.

The School District's governmental activities net assets decreased by (\$281,728) due primarily to depreciation expense exceeding capital assets additions.

Governmental Activities

	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 4,006,144	879,710	22%	3,126,434
Support services	2,567,375	90,767	4%	2,476,608
Non-instructional services	175,005	44,878	26%	130,127
Food services	367,637	352,857	96%	14,780
Interest and fiscal charges	<u>118,159</u>	<u>-</u>	0%	<u>118,159</u>
Total	\$ <u>7,234,320</u>	<u>1,368,212</u>	<u>19%</u>	<u>5,866,108</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2004
Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$2,313,390 (73%) of the total \$3,190,676 governmental funds assets.

General Fund. Fund balance at June 30, 2004 was \$612,967, with an unreserved fund balance of \$558,977. The fund balance decreased by (\$66,379). The unreserved fund balance represents approximately 10% of current-year general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. There were no significant differences between the original and final budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2004, the School District had invested in a broad range of capital assets, including land, buildings and equipment. The School District had very little capital asset activity during the year ended June 30, 2004 due in large part to constructing new buildings in the prior fiscal year. See Note 6 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		Governmental <u>Activities</u>
Land	\$	428,932
Buildings and improvements		13,162,019
Equipment and furniture		<u>437,562</u>
Total	\$	<u>14,028,513</u>

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Management's Discussion and Analysis
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Unaudited

Debt

The School District participated in the Ohio Association of School Business Official's Lease Asset Program in fiscal year 2004. The Board authorized the resolution in March, 2004 to finance the School District's share of the costs of renovation and new construction of school building improvements. The amount financed was \$306,000 and will be repaid over fifteen years.

ECONOMIC FACTORS

A challenge facing the School District is the future of state funds. On December 11, 2002, the Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 1,688,291
Receivables:	
Taxes	1,415,411
Accounts	788
Intergovernmental	45,947
Interest	18
Supplies inventory	11,994
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>13,599,581</u>
Total assets	<u>17,190,962</u>
Liabilities:	
Accounts payable	21,312
Accrued wages and benefits	593,610
Intergovernmental payable	148,496
Deferred revenue	1,084,100
Accrued interest payable	9,480
Noncurrent liabilities:	
Due within one year	155,950
Due within more than one year	<u>2,579,046</u>
Total liabilities	<u>4,591,994</u>
Net Assets:	
Invested in capital assets, net of related debt	11,686,434
Restricted for:	
Capital projects	297,125
Other purposes	197,067
Unrestricted	<u>418,342</u>
Total net assets	\$ <u><u>12,598,968</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses			Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,550,954	33,764	564,123	(2,934,917)
Special education	422,706	-	263,673	(159,033)
Adult/continuing	32,484	-	-	(32,484)
Support services:				
Pupil	170,798	-	40,410	(130,388)
Instructional staff	229,961	-	7,173	(222,788)
Board of Education	37,872	-	-	(37,872)
Administration	871,227	-	13,428	(857,799)
Fiscal	144,773	-	-	(144,773)
Business	31,971	-	-	(31,971)
Operation and maintenance of plant	714,124	-	-	(714,124)
Pupil transportation	366,649	-	29,756	(336,893)
Non-instructional services:				
Extracurricular activities	175,005	44,878	-	(130,127)
Food Service	367,637	160,016	192,841	(14,780)
Interest on long-term debt	118,159	-	-	(118,159)
Total Governmental Activities	\$ 7,234,320	238,658	1,111,404	(5,866,108)
			18,150	
General Revenues:				
Property taxes, levied for general purposes				1,364,292
Property taxes, levied for debt services				174,731
Grants and entitlements not restricted to specific programs				3,983,300
Investment earnings				15,174
Miscellaneous				46,883
Total general revenues				5,584,380
Change in net assets				(281,728)
Net assets beginning of year				12,880,696
Net assets end of year				12,598,968

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 1,072,469	615,822	1,688,291
Receivables:			
Taxes	1,201,592	213,819	1,415,411
Accounts	95	693	788
Accrued interest	18	-	18
Intergovernmental	-	45,947	45,947
Materials and supplies inventory	10,989	1,005	11,994
Interfund receivable	28,227	-	28,227
Total assets	<u>2,313,390</u>	<u>877,286</u>	<u>3,190,676</u>
Liabilities:			
Accounts payable	6,258	15,054	21,312
Accrued wages and benefits	511,824	81,786	593,610
Intergovernmental payable	96,590	10,674	107,264
Interfund payable	-	28,227	28,227
Compensated absences payable	50,871	-	50,871
Deferred revenue	1,034,880	205,219	1,240,099
Total liabilities	<u>1,700,423</u>	<u>340,960</u>	<u>2,041,383</u>
Fund Balances:			
Reserved for:			
Encumbrances	2,001	3,475	5,476
Inventory	10,989	1,005	11,994
Property taxes	41,000	8,600	49,600
Debt service	-	135,034	135,034
Unreserved, reported in:			
General Fund	558,977	-	558,977
Special Revenue Funds	-	91,006	91,006
Capital Projects Funds	-	297,206	297,206
Total fund balances	<u>612,967</u>	<u>536,326</u>	<u>1,149,293</u>
Total liabilities and fund balances	<u>\$ 2,313,390</u>	<u>877,286</u>	<u>3,190,676</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total Governmental Fund Balances \$ 1,149,293

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. 14,028,513

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	2,018,000	
Capital lease payable	11,079	
Energy conservation notes	7,000	
Compensated absences	342,046	
Lease-purchase agreement	306,000	
Pension obligation payable	41,232	
Accrued interest payable	<u>9,480</u>	
Total		<u>(2,734,837)</u>

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. 155,999

Net Assets of Governmental Activities \$ 12,598,968

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,339,129	192,719	1,531,848
Tuition and fees	10,851	22,913	33,764
Interest	15,174	-	15,174
Intergovernmental	3,962,707	1,150,147	5,112,854
Charges for services	-	162,450	162,450
Other local revenues	36,523	52,804	89,327
Total revenues	<u>5,364,384</u>	<u>1,581,033</u>	<u>6,945,417</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,672,722	506,270	3,178,992
Special education	164,031	380,370	544,401
Other instruction	32,484	-	32,484
Support services:			
Pupil	164,855	5,575	170,430
Instructional staff	148,342	69,314	217,656
Board of Education	37,872	-	37,872
Administration	872,365	34,539	906,904
Fiscal	143,104	-	143,104
Business	31,971	-	31,971
Operation and maintenance of plant	626,215	35,167	661,382
Pupil transportation	329,056	35,293	364,349
Non-instructional services:			
Extracurricular activities	94,791	61,339	156,130
Community service	-	18,875	18,875
Food services	-	318,848	318,848
Capital outlay	-	47,174	47,174
Debt Service:			
Principal	17,976	118,000	135,976
Interest and fiscal charges	7,464	110,416	117,880
Total expenditures	<u>5,343,248</u>	<u>1,741,180</u>	<u>7,084,428</u>
Excess of revenues over (under) expenditures	<u>21,136</u>	<u>(160,147)</u>	<u>(139,011)</u>
Other financing sources (uses):			
Transfers in	-	393,515	393,515
Transfers out	(393,515)	-	(393,515)
Proceeds from lease-purchase agreement	306,000	-	306,000
Total other financing sources (uses):	<u>(87,515)</u>	<u>393,515</u>	<u>306,000</u>
Net change in fund balance	(66,379)	233,368	166,989
Fund balance, beginning of year	679,346	302,958	982,304
Fund balance, end of year	<u>\$ 612,967</u>	<u>536,326</u>	<u>1,149,293</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 166,989

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

Capital outlay	66,843
Depreciation expense	(440,120)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	118,000
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	17,976
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(279)
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Some expenses reported in the statement of activities, such as compensated absences and pension obligation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	87,688
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Revenues in the statement of activities that do not provide current financial current financial resources are not reported as revenues in the funds.	7,175
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Proceeds from a lease-purchase agreement provide current financial resources to governmental funds but increases long-term liabilities in the statement of net assets.	<u>(306,000)</u>
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Change in Net Assets of Governmental Activities	\$ <u>(281,728)</u>
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NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2004

		Private Purpose Trusts	Agency Funds
ASSETS			
Equity in pooled cash and investments	\$	<u>14,040</u>	<u>9,150</u>
Total assets		<u><u>14,040</u></u>	<u><u>9,150</u></u>
LIABILITIES			
Accounts payable		5,488	-
Due to student groups		<u>-</u>	<u>9,150</u>
Total liabilities		<u><u>5,488</u></u>	<u><u>9,150</u></u>
NET ASSETS			
Held in trust	\$	<u><u>8,552</u></u>	<u><u>-</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2004

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ 12,250
Total additions	<u>12,250</u>
Deductions:	
Community gifts, awards and scholarships	<u>7,953</u>
Total deductions	<u>7,953</u>
 Change in net assets	 4,297
 Net assets, beginning of year	 <u>4,255</u>
Net assets, end of year	\$ <u><u>8,552</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Miami Local School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 860 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler Technology and Career Development Schools, the Southwestern Ohio Computer Association, and the Butler County Health Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

C. **Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

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 School 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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were 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 fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2004, which are intended to finance fiscal year 2005 operations, have been 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.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2004, investments were limited to certificates of deposit.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

G. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School 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 capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

I. 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 School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

K. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and thus are not available for appropriation or expenditure. Unreserved fund balances indicates the portion of fund equity that is available for future appropriation. Fund equity reserves are established for encumbrances, property taxes, debt service and inventory.

L. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Estimates

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

2. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the School District implemented the following:

- GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments.*
- GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus.*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures.*
- GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.*
- GASB Interpretation No. 6, *Recognition and Measurements 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. The government-wide financial statements split the School District's programs between business-type and governmental activities.

The beginning net asset amount for governmental programs reflects the change in fund balance at June 30, 2003 caused by the conversion to the accrual basis of accounting.

Fund balance - all governmental funds - June 30, 2003	\$ 998,701
Reclassification of proprietary funds to special revenue funds	<u>(16,397)</u>
Fund balance - all governmental funds, restated	<u>982,304</u>
GASB 34 adjustments:	
Capital assets	14,401,790
Long-term liabilities	(2,643,021)
Accrued interest payable	(9,201)
Revenue recognition	<u>148,824</u>
Governmental activities net assets - June 30, 2003	<u>\$ 12,880,696</u>

3. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$1,711,481 and the bank balance was \$1,818,738. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,718,738 was uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging financial institution's trust department, but not in the District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

4. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2004, the School District recorded income tax revenue of \$391,060 in the General Fund and a receivable as of June 30, 2004 of \$155,712.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last update was completed for tax year 2000. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Personal property taxes are levied after April 1 on the value as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal 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, 2004, was \$41,000 in the General Fund, \$900 in the Special Revenue Funds and \$7,700 in the Debt Service Fund.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<u>2003 Second- Half Collections</u>		<u>2004 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 39,687,760	79.43%	39,903,370	80.75%
Tangible Personal Property	<u>10,278,041</u>	20.57%	<u>9,511,843</u>	19.25%
Total Assessed Value	\$ <u>49,965,801</u>	100.00%	<u>49,415,213</u>	100.00%

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance 7/1/03	Additions	Disposals	Balance 6/30/04
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,710,437	-	-	13,710,437
Equipment and furniture	951,830	66,843	-	1,018,673
Subtotal	<u>14,662,267</u>	<u>66,843</u>	-	<u>14,729,110</u>
Totals at historical cost	<u>15,091,199</u>	<u>66,843</u>	-	<u>15,158,042</u>
Less accumulated depreciation:				
Buildings and improvements	274,209	274,209	-	548,418
Equipment and furniture	415,200	165,911	-	581,111
Total accumulated depreciation	<u>689,409</u>	<u>440,120</u>	-	<u>1,129,529</u>
Capital assets, net	<u>\$ 14,401,790</u>	<u>(373,277)</u>	-	<u>14,028,513</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 370,834
Special	1,420
Support services:	
Pupil	368
Instructional staff	13,184
Administration	136
Fiscal	302
Operation and maintenance of plant	6,454
Food services	<u>47,422</u>
Total depreciation expense	<u>\$ 440,120</u>

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2004, the School District participated in the Butler County Health Trust (the Trust), a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 SERS, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were approximately \$100,000, \$98,000, and \$95,000 respectively; 38% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is recorded as a liability.

State Teachers Retirement System

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

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 the DB Plan. In the Combined Plan, member contributions are

invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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 a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2004, 2003, and 2002 were approximately \$444,000, \$423,000, and \$399,000, respectively; 84% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is recorded as a liability within the respective funds.

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

9. POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the 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. For the year ended June 30, 2003, the board allocated employer contributions equal to 1.00% of covered payroll to the Health Care Reserve Fund. For the School District, this amount was approximately \$32,000 during fiscal year 2004. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2.8 billion at June 30, 2003. For the year ended June 30, 2003, net health care costs paid by STRS were \$352.3 million and STRS had 108,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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 this fiscal year, employer contributions to fund health care benefits were 5.83% 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 2004, 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. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2003 were \$204.9 million and the target level was \$307.4 million. At June 30, 2003, SERS' net assets available for payment of health care benefits was \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$42,000 during the 2004 fiscal year.

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, payment is made for 25% of accrued, but unused sick leave up to a maximum of 50 days for classified employees and 45 days for teachers and administrators.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2004 were as follows:

	Principal Outstanding <u>7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	Principal Outstanding <u>6/30/04</u>	Due Within <u>One Year</u>
Energy conservation notes - 1993	\$ 43,000	-	(43,000)	-	-
Energy conservation notes - 1994	12,000	-	(5,000)	7,000	7,000
General obligation bonds	2,088,000	-	(70,000)	2,018,000	75,000
Capital leases	29,055	-	(17,976)	11,079	11,079
Lease-purchase agreement	-	306,000	-	306,000	12,000
Compensated absences	<u>437,502</u>	<u>13,125</u>	<u>(57,710)</u>	<u>392,917</u>	<u>50,871</u>
	\$ <u>2,609,557</u>	<u>319,125</u>	<u>(193,686)</u>	<u>2,734,996</u>	<u>155,950</u>

House Bill 264, Energy Conversation Notes - The School District issued notes in 1993 and 1994 to fund energy conserving renovation projects. The 1993 notes matured on December 1, 2003 and the 1994 notes mature on December 1, 2004 and bear interest at 5% and 5.75%, respectively.

General Obligation Bonds - On July 14, 2000, the School District issued voted general obligations bonds for the purpose of construction of a new building and improvements to the junior/senior high school building. The bonds were issued at an interest rate of 4.55% for a twenty-two year period with final maturity at December 1, 2022. The bonds will be retired from the debt service fund.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$2,429,369 with an unvoted debt margin of \$49,415 at June 30, 2004.

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2004, are \$7,000 and \$201, respectively in the year ending June 30, 2005. Principal and interest requirements to retire general obligation bonds at June 30, 2004 are:

<u>Fiscal Year</u> <u>Ending June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$	75,000	100,035	175,035
2006		80,000	96,510	176,510
2007		85,000	92,710	177,710
2008		90,000	88,630	178,630
2009		95,000	84,265	179,265
2010-2014		324,159	602,591	926,750
2015-2019		578,841	388,559	967,400
2020-2023		<u>690,000</u>	<u>98,280</u>	<u>788,280</u>
Total	\$	<u>2,018,000</u>	<u>1,551,580</u>	<u>3,569,580</u>

Principal and interest requirements to retire the lease-purchase agreement at June 30, 2004 are:

<u>Fiscal Year</u> <u>Ending June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$	12,000	13,730	25,730
2006		16,000	10,367	26,367
2007		17,000	9,736	26,736
2008		17,000	9,029	26,029
2009		18,000	8,247	26,247
2010-2014		101,000	35,717	136,717
2015-2019		<u>125,000</u>	<u>16,628</u>	<u>141,628</u>
Total	\$	<u>306,000</u>	<u>103,454</u>	<u>409,454</u>

12. CAPITALIZED LEASE

The School District is obligated under a lease accounted for as a capital lease. Assets under capital lease totaled \$52,000 at June 30, 2004. Future minimum lease payments under this capital lease are \$11,340 in the year ending June 30, 2005, of which \$261 represents interest. The present value of future minimum lease payments at June 30, 2004 is \$11,079.

13. INSURANCE PURCHASING POOL

Butler County Health Plan

The School District participates in the Butler County Health Plan (BCHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BCHP at P. O. Box 526, Middletown, Ohio 45042.

14. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) 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. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

15. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Litigation

The School District is not party to legal proceedings.

16. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2003	\$ (83,943)	-
Current year set-aside requirement	122,896	122,896
Less qualifying disbursements and offsets	<u>(122,896)</u>	<u>(122,896)</u>
Total	<u>(83,943)</u>	<u>-</u>
Balance carried to FY2005	<u>(83,943)</u>	<u>-</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

17. 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 system 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	1,297,000	1,327,989	1,327,989	-
Tuition and fees	-	11,199	11,199	-
Interest	-	14,633	15,181	548
Intergovernmental	4,018,900	3,951,438	3,962,707	11,269
Other local revenues	55,000	12,612	12,612	-
Total revenues	<u>5,370,900</u>	<u>5,317,871</u>	<u>5,329,688</u>	<u>11,817</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,748,073	2,781,584	2,657,870	123,714
Special education	177,848	198,960	183,630	15,330
Other instruction	50,000	50,000	32,484	17,516
Support services:				
Pupil	93,761	164,455	164,151	304
Instructional staff	123,417	159,274	155,105	4,169
Board of Education	52,593	53,696	37,777	15,919
Administration	875,190	900,345	849,340	51,005
Fiscal	192,500	201,367	176,583	24,784
Operation and maintenance of plant	621,000	672,202	651,978	20,224
Pupil transportation	324,924	330,205	326,320	3,885
Central	241	241	-	241
Non-instructional services:				
Extracurricular activities	101,470	103,619	96,150	7,469
Total expenditures	<u>5,361,017</u>	<u>5,615,948</u>	<u>5,331,388</u>	<u>284,560</u>
Excess of revenues over expenditures	9,883	(298,077)	(1,700)	(272,743)
Other financing sources (uses):				
Transfers in	-	5,000	5,000	-
Transfers out	(53,726)	(393,515)	(393,515)	-
Advances in	-	29,588	29,588	-
Advances out	-	(18,362)	(18,362)	-
Proceeds from lease-purchase agreement	310,000	300,000	300,000	-
Other sources	41,250	26,641	26,641	-
Total other financing sources (uses):	<u>297,524</u>	<u>(50,648)</u>	<u>(50,648)</u>	<u>-</u>
Net change in fund balance	307,407	(348,725)	(52,348)	(272,743)
Fund balance, beginning of year	1,120,420	1,120,420	1,120,420	
Prior year encumbrances appropriated	2,396	2,396	2,396	
Fund balance, end of year	<u>1,430,223</u>	<u>774,091</u>	<u>1,070,468</u>	

See accompanying notes to required supplemental information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information
Year Ended June 30, 2004

Note A Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ (66,379)
Increase / (decrease):	
Due to revenues	(34,696)
Due to expenditures	672,662
Due to other sources (uses)	36,867
Due to encumbrances	<u>(660,802)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$ <u>(52,348)</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2004

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
(Passed through Ohio Department of Education)				
Child Nutrition Cluster:				
School Breakfast Program	05PU	10.553	\$ 25,307	25,307
National School Lunch Program	LLP4	10.555	127,033	127,033
School Snack Program	LLP4	10.559	<u>6,507</u>	<u>6,507</u>
Total U.S. Department of Agriculture			<u>158,847</u>	<u>158,847</u>
<u>U.S. Department of Education:</u>				
(Passed through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	C1S1	84.010	138,973	145,763
Special Education Cluster:				
Special Education - Grants to States	6BSF	84.027	141,728	140,680
Special Education - Preschool Grants	PGS1	84.173	<u>2,032</u>	<u>2,032</u>
			<u>143,760</u>	<u>142,712</u>
Safe & Drug-Free Schools and Communities - State Grants	DRS1	84.186	5,167	6,507
Improving Teacher Quality State Grants	G2S2	84.176	-	685
Eisenhower Professional Development State Grants	MSS1	84.281	-	2,688
Twenty-First Century Community Learning Centers	T1S1	84.287	177,117	199,690
Innovative Education Program Strategies	C2S1	84.298	6,131	6,131
Education Technology State Grants	TJS1	84.318	6,580	7,296
Comprehensive School Reform Demonstration	RFS1	84.332	90,000	88,397
Class Size Reduction	CRS1	84.340	61,529	59,743
School Renovation Grants	TRS1	84.352	<u>-</u>	<u>4,331</u>
Total U.S. Department of Education			<u>629,257</u>	<u>663,943</u>
Total Federal Awards			\$ <u>788,104</u>	<u>822,790</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal awards programs. This schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2004, the School District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the School District contribute non-federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditures of non-federal matching funds is not included on the schedule.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
New Miami Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Miami Local School District as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 3, 2004 wherein we noted that the School District implemented Governmental Accounting Standards Board Statements 34, 37, 38 and 39 as well as Governmental Accounting Standards Board Interpretation 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Miami Local School 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Miami 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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of 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 those specified parties.

Clark, Scafer, Huchett & Co.

Cincinnati, Ohio
December 3, 2004

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
New Miami Local School District:

Compliance

We have audited the compliance of New Miami Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. New Miami Local School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Miami Local School 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 School District's compliance with those requirements.

In our opinion, New Miami Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of New Miami Local School District is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Miami Local School 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 of 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 3, 2004

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weakness(es)?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weakness(es)?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none
Identification of major programs:	
<i>CFDA 84.010 – Title I Grants to Local Educational Agencies</i>	
<i>Child Nutrition Cluster – CFDA 10.553, 10.555 and 10.559</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings

Year Ended June 30, 2004

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over compliance with requirements that could have a direct and material effect on a major federal program were reported in the prior year.



**Auditor of State
Betty Montgomery**

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**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2005**