



**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

REGULAR AUDIT

JULY 1, 1998 THROUGH JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Miami East Local School District
Miami County
3825 North State Route 589
Casstown, Ohio 45312

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Miami East Local School District, Miami County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Miami East Local School District, Miami County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

JIM PETRO
Auditor of State

November 30, 1999

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,249,753	\$92,160	\$275,826
Cash and Cash Equivalents With Fiscal Agents		992	
Investments			
Receivables:			
Property Taxes	2,574,765		354,581
Income Taxes	264,219		
Accounts	3,436	2,271	
Intergovernmental	750		
Accrued Interest	2,410		
Inventory of Supplies	29,001		
Inventory Held for Resale	0		
Prepaid Items	10,504		
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	262,834		
Fixed Assets (Net, where applicable, of Accumulated Depreciation			
Other Debits:			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	<u>\$4,397,672</u>	<u>\$95,423</u>	<u>\$630,407</u>
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	\$54,120	\$11,838	\$2,980
Contracts Payable	3,125		42,699
Accrued Wages Payable	503,290	11,744	
Intergovernmental Payable	116,243	4,108	1,858
Due to Students			
Undistributed Monies			
Deferred Revenue	2,483,574	423	340,288
Compensated Absences Payable	105,834		
Accrued Interest Payable	7,588		
Energy Conservation Loan Payable	140,000		
Total Liabilities	<u>3,413,774</u>	<u>28,113</u>	<u>387,825</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved			
Fund Balance:			
Reserved for Encumbrances	212,586	17,095	152,427
Reserved for Inventories of Supplies and Materials	29,001		
Reserved for Property Taxes	93,882		14,293
Reserved for Endowments			
Reserved for Textbook Purchases	18,041		
Reserved for Capital Acquisition	106,307		
Reserved for School Bus Purchases	58,416		
Reserved for Budget Stabilization	80,070		
Unreserved, Undesignated	385,595	50,215	75,862
Total Fund Equity and Other Credits	<u>983,898</u>	<u>67,310</u>	<u>242,582</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,397,672</u>	<u>\$95,423</u>	<u>\$630,407</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$34,232	\$53,436			\$1,705,407
	30,507			992
				30,507
				2,929,346
2,750				264,219
7,605				8,457
	7			8,355
2,040				2,417
9,774				31,041
				9,774
				10,504
				262,834
10,371		4,723,279		4,733,650
			638,067	638,067
<u>\$66,772</u>	<u>\$83,950</u>	<u>\$4,723,279</u>	<u>\$638,067</u>	<u>\$10,635,570</u>
				\$68,938
18,099				45,824
15,165			46,420	533,133
	49,290			183,794
	3,233			49,290
7,937				3,233
16,023			591,647	2,832,222
				713,504
				7,588
				140,000
<u>57,224</u>	<u>52,523</u>		<u>638,067</u>	<u>4,577,526</u>
		4,723,279		4,723,279
4,760				4,760
4,788				4,788
				382,108
				29,001
				108,175
	30,000			30,000
				18,041
				106,307
				58,416
				80,070
	1,427			513,099
<u>9,548</u>	<u>31,427</u>	<u>4,723,279</u>		<u>6,058,044</u>
<u>\$66,772</u>	<u>\$83,950</u>	<u>\$4,723,279</u>	<u>\$638,067</u>	<u>\$10,635,570</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Revenues:				
Property and Other Taxes	\$2,414,108		\$352,176	\$2,766,284
Income Taxes	645,791			645,791
Tuition and Fees	37,594			37,594
Gifts and Donations	5,000	15,801		20,801
Interest	97,533	1,445	10,843	109,821
Intergovernmental	3,673,292	153,557	44,068	3,870,917
Extracurricular Activities		148,493		148,493
Miscellaneous	16,696	29,409		46,105
Total Revenues	<u>6,890,014</u>	<u>348,705</u>	<u>407,087</u>	<u>7,645,806</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,199,690	12,905		3,212,595
Special	393,372	155,339		548,711
Vocational	189,203			189,203
Support Services:				
Pupils	227,101	80,162	3,415	310,678
Instructional Staff	189,744	27,680	1,129	218,553
Board of Education	72,519			72,519
Administration	694,105	13,274		707,379
Fiscal	197,942		5,886	203,828
Business	5,187	179		5,366
Operation and Maintenance of Plant	559,250	1,392	18,415	579,057
Pupil Transportation	376,179	16,405		392,584
Central	128,207	9,164	134,051	271,422
Operation of Non-Instructional Services				
Extracurricular Activities	3,117	5,387		8,504
Capital Outlay	212,866	117,047		329,913
Debt Service:	13,879	165,183	270,277	449,339
Interest and Fiscal Charges	7,614			7,614
Total Expenditures	<u>6,469,975</u>	<u>604,117</u>	<u>433,173</u>	<u>7,507,265</u>
Excess of Revenues Over (Under) Expenditures	<u>420,039</u>	<u>(255,412)</u>	<u>(26,086)</u>	<u>138,541</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	886			886
Operating Transfers - In		85,488		85,488
Operating Transfers - Out	(85,488)			(85,488)
Total Other Financing Sources (Uses)	<u>(84,602)</u>	<u>85,488</u>		<u>886</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	335,437	(169,924)	(26,086)	139,427
Fund Balances at Beginning of Year	646,204	237,234	268,668	1,152,106
Increase in Reserve for Inventory	2,257			2,257
Fund Balances at End of Year	<u>\$983,898</u>	<u>\$67,310</u>	<u>\$242,582</u>	<u>\$1,293,790</u>

The notes to the financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,394,278	\$2,394,278				
Income Taxes	628,613	628,613				
Tuition and Fees	37,709	37,709				
Gifts and Donations	5,000	5,000		75,802	75,802	
Interest	97,095	97,095		1,445	1,445	
Intergovernmental	3,673,657	3,673,657		142,826	142,826	
Extracurricular Activities				151,329	151,329	
Miscellaneous	15,343	15,343		20,251	20,251	
Total Revenues	6,851,695	6,851,695		391,653	391,653	
Expenditures:						
Current:						
Instruction:						
Regular	3,130,922	3,130,922		15,089	15,089	
Special	437,090	437,090		159,255	159,255	
Vocational	185,155	185,155				
Other	23,955	23,955				
Support Services:						
Pupils	245,441	245,441		90,193	90,193	
Instructional Staff	193,538	193,538		29,122	29,122	
Board of Education	74,005	74,005				
Administration	685,442	685,442		13,789	13,789	
Fiscal	201,707	201,707				
Business	25,152	25,152		179	179	
Operation and Maintenance of Plant	594,411	594,411		1,391	1,391	
Pupil Transportation	450,965	450,965		16,982	16,982	
Central	133,091	133,091		8,699	8,699	
Operation of Non-Instructional Services	3,492	3,492		6,430	6,430	
Extracurricular Activities	214,809	214,809		118,449	118,449	
Capital Outlay	14,044	14,044		170,183	170,183	
Debt Service:						
Principal Retirement	70,000	70,000				
Interest and Fiscal Charges	17,120	17,120				
Total Expenditures	6,700,339	6,700,339		629,761	629,761	
Excess of Revenues Over (Under) Expenditures	151,356	151,356		(238,108)	(238,108)	
Other Financing Sources (Uses):						
Other Financing Sources				9,767	9,767	
Proceeds from Sale of Fixed Assets	886	886				
Refund of Prior Year Expenditures	1,904	1,904		1,707	1,707	
Refund of Prior Year Receipts	(1,115)	(1,115)		(1,540)	(1,540)	
Advances - In	60,000	60,000				
Advances - Out				(60,000)	(60,000)	
Operating Transfers - In				85,488	85,488	
Operating Transfers - Out	(85,488)	(85,488)				
Total Other Financing Sources (Uses)	(23,813)	(23,813)		35,422	35,422	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	127,543	127,543		(202,686)	(202,686)	
Fund Balances at Beginning of Year	861,186	861,186		65,349	65,349	
Prior Year Encumbrances Appropriated	268,744	268,744		208,454	208,454	
Fund Balances at End of Year	\$1,257,473	\$1,257,473	\$0	\$71,117	\$71,117	\$0

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(continued)**

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Property and Other Taxes	\$350,676	\$350,676	
Income Taxes			
Tuition and Fees			
Gifts and Donations			
Interest	10,843	10,843	
Intergovernmental	163,875	163,875	
Extracurricular Activities			
Miscellaneous			
Total Revenues	<u>525,394</u>	<u>525,394</u>	
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support Services:			
Pupils	3,415	3,415	
Instructional Staff	1,129	1,129	
Board of Education			
Administration			
Fiscal	5,886	5,886	
Business			
Operation and Maintenance of Plant	18,415	18,415	
Pupil Transportation	58,416	58,416	
Central	136,633	136,633	
Operation of Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	395,815	395,815	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>619,709</u>	<u>619,709</u>	
Excess of Revenues Over (Under) Expenditures	<u>(94,315)</u>	<u>(94,315)</u>	
Other Financing Sources (Uses):			
Other Financing Sources			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Advances - In			
Advances - Out			
Operating Transfers - In			
Operating Transfers - Out			
Total Other Financing Sources (Uses)	<u> </u>	<u> </u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(94,315)</u>	<u>(94,315)</u>	
Fund Balances at Beginning of Year	27,900	27,900	
Prior Year Encumbrances Appropriated	142,051	142,051	
Fund Balances at End of Year	<u>\$75,636</u>	<u>\$75,636</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Sales	\$256,992		\$256,992
Interest		687	687
Gifts and Donations		20,000	20,000
Total Operating Revenues	<u>256,992</u>	<u>20,687</u>	<u>277,679</u>
Operating Expenses:			
Salaries and Wages	130,161		130,161
Fringe Benefits	36,441		36,441
Purchased Services	4,112		4,112
Supplies and Materials	1,100		1,100
Cost of Sales	179,123		179,123
Other	500		500
Depreciation	1,365		1,365
Total Operating Expenses	<u>352,802</u>		<u>352,802</u>
Operating Income (Loss)	<u>(95,810)</u>	<u>20,687</u>	<u>(75,123)</u>
Non-Operating Revenues:			
Federal and State Subsidies	44,881		44,881
Interest	1,786		1,786
Donated Commodities	36,429		36,429
Total Non-Operating Revenues	<u>83,096</u>		<u>83,096</u>
Net Income (Loss)	(12,714)	20,687	7,973
Retained Earnings/Fund Balance at Beginning of Year	<u>17,502</u>	<u>10,740</u>	<u>28,242</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$4,788</u></u>	<u><u>\$31,427</u></u>	<u><u>\$36,215</u></u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Fund			Nonexpendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$257,622	\$257,622				
Federal and State Subsidies	43,056	43,056				
Interest	1,786	1,786		687	687	
Gifts and Donations				20,000	20,000	
Total Revenues	302,464	302,464		20,687	20,687	
Expenditures:						
Salaries and Wages	129,048	129,048				
Fringe Benefits	35,991	35,991				
Purchased Services	5,174	5,174				
Supplies and Materials	144,339	144,339				
Capital Outlay	974	974				
Other	500	500				
Total Expenditures	316,026	316,026				
Excess of Revenues Over (Under) Expenditures	(13,562)	(13,562)		20,687	20,687	
Fund Balances at Beginning of Year	43,521	43,521		10,733	10,733	
Prior Year Encumbrances Appropriated	1,830	1,830				
Fund Balances at End of Year	\$31,789	\$31,789		\$31,420	\$31,420	\$0

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type	Fiduciary Fund Type Nonexpendable Trust	Total (Memorandum Only)
	Enterprise	Trust	Only
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$257,622		\$257,622
Gifts and Donations		20,000	20,000
Cash Payments for Employee Services and Benefits	(165,039)		(165,039)
Cash Payments to Suppliers for Goods and Services	(147,543)		(147,543)
Other Operating Expenses	(500)		(500)
Net Cash Provided By (Used In) Operating Activities	<u>(55,460)</u>	<u>20,000</u>	<u>(35,460)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	43,056		43,056
Net Cash Provided By Noncapital Financing Activities	<u>43,056</u>		<u>43,056</u>
Cash Flow from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(500)		(500)
Net Cash Used In Capital and Related Financing Activities	<u>(500)</u>		<u>(500)</u>
Cash Flows from Investing Activities:			
Purchase of Investments		(20,419)	(20,419)
Interest	1,786	687	2,473
Net Cash Provided By (Used In) Investing Activities	<u>1,786</u>	<u>(19,732)</u>	<u>(17,946)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,118)	268	(10,850)
Cash and Cash Equivalents Beginning of Year	45,350	645	45,995
Cash and Cash Equivalents End of Year	<u>\$34,232</u>	<u>\$913</u>	<u>\$35,145</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Operating Income (Loss)	(\$95,810)	\$20,687	(\$75,123)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Depreciation	1,365		1,365
Donated Commodities Received	36,429		36,429
Interest		(687)	(687)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	631		631
Decrease in Inventory of Supplies	437		437
Decrease in Inventory Held for Resale	476		476
Decrease in Accrued Salaries Payable	(779)		(779)
Decrease in Intergovernmental Payable	(101)		(101)
Increase in Compensated Absences Payable	1,892		1,892
Net Cash Provided By (Used In) Operating Activities	<u>(\$55,460)</u>	<u>\$20,000</u>	<u>(\$35,460)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$53,436	
Cash and Cash Equivalents-Agency Funds		<u>(52,523)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Funds		<u>\$913</u>	

Non-Cash Transaction:

During fiscal year 1999, the Food Service Enterprise Fund received a donated asset with a fair market value of \$4,760.

The notes to the financial statements are an integral part of this statement.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Miami East Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. 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 School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships. The School District is the 394th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 52 non-certificated employees, 80 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,359 students and other community members. The School District currently operates 5 instructional buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Miami East Local 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 does not have any component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Casstown - The village government of Casstown is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Village of Fletcher - The village government of Fletcher is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are presented in Notes 19 and 20 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association
The Dayton Area Superintendent's Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Miami East Local 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. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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

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

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

Proprietary Fund Type

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

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal 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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, property taxes available as an advance, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Public School Preschool and Special Education Transition Funding Special Revenue Funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The primary level of budgetary control is at the object level within each function. 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 Miami 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 1999. At year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

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, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant. Before closing at year end, the School District passes appropriations to match expenditures plus encumbrances.

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.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. 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 combined balance sheet. During fiscal year 1999, investments were limited to certificates of deposit and STAR Ohio.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue was credited to the following funds during fiscal year 1999: General Fund; Roberta Wilson Scholarship, Title III, Title VI-B, Vocational Education, Title I, Title VI, and Drug Free Schools Special Revenue Funds; Permanent Improvement Capital Projects Fund; Food Service Enterprise Fund; and Miami East Scholarship and Boak-Gilmer Music Scholarship Nonexpendable Trust Funds. The amounts were \$97,533, \$268, \$320, \$329, \$69, \$67, \$273, \$119, \$10,483, \$1,786, \$117, and \$570. The amount of interest revenue assigned to other School District funds is immaterial.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The balance of various grant activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of fifteen years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

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

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Career Development
Education Management Information Systems
Public School Preschool
Special Education Transition Funding
Carl Perkins Vocational Education
Instructional Material Subsidy
Title I
Title III
Title VI
Title VI-B
Drug-Free Schools
Professional Development Block Grant
Transforming Learning Community

Capital Projects Funds

School Net
School Net Plus
Technology Equity

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Grants and entitlements received in governmental funds amounted to 51 percent of governmental fund revenue during the 1999 fiscal year.

J. Compensated Absences

Vacation, compensatory time, and personal leave 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. The School District records a liability for accumulated unused vacation time, compensatory time and personal leave when earned for all employees with more than one year of service.

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 School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the State of Ohio. For governmental funds, current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are considered not to have been paid using current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook purchases, capital acquisition, school bus purchases, and endowments

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

O. Contributed Capital

Contributed capital represents resources from other funds, federal and state grants, other governments and private sources provided to the School District's enterprise funds which are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on these assets acquired or constructed with contributed capital is expensed and closed to unreserved retained earnings at year end.

Because the School District, prior to 1995, had not prepared its financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior 1995 cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

P. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 1999, the Education Management Information Systems Fund had a deficit fund balance of \$870, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Funds are 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:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Miami East Local School District are included in the special revenue funds for GAAP reporting purposes.
7. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions.

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	\$335,437	(\$169,924)	(\$26,086)
Revenue Accruals	(36,415)	58,985	118,307
Expenditure Accruals	59,576	(10,120)	13,654
Prepaid Items	(941)	0	0
Loan Principal Payments	(35,000)	0	0
Advances	60,000	(60,000)	0
Excess of Revenues (Over) Expenditures for Nonbudgeted Funds	0	(584)	0
Encumbrances	(255,114)	(21,043)	(200,190)
Budget Basis	<u>\$127,543</u>	<u>(\$202,686)</u>	<u>(\$94,315)</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type and Nonexpendable Trust Funds

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$12,714)	\$20,687
Revenue Accruals	(1,195)	0
Expense Accruals	2,838	0
Materials and Supplies Inventory	(437)	0
Inventory Held for Resale	(476)	0
Capital Outlay	(500)	0
Depreciation Expense	1,365	0
Encumbrances	(2,443)	0
Budget Basis	(\$13,562)	\$20,687

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The "Cash and Cash Equivalents with Fiscal Agent" of \$992 shown in special revenue funds is maintained with the Miami County Educational Service Center. Disclosures regarding this amount can be obtained from their annual report.

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,113,731 and the bank balance was \$1,188,710. Of the bank balance:

1. \$130,507 was covered by federal depository insurance; and
2. \$1,058,203 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the Federal Deposit Insurance Corporation.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The only School District investment at year end was STAR Ohio. It is an unclassified investment, with a carrying value of \$885,017.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
	<hr/>	<hr/>
GASB Statement 9	\$1,969,233	\$30,507
Cash and Cash Equivalents with Fiscal Agents	(992)	0
Investments of the Cash Management Pool:		
Certificates of Deposit	30,507	(30,507)
STAR Ohio	(885,017)	885,017
GASB Statement 3	<hr/> <hr/>	<hr/> <hr/>
	\$1,113,731	\$885,017

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$93,384,190	85%	\$107,593,020	86%
Public Utility Real	42,370	0	46,720	0
Tangible Personal Property	16,752,230	15	17,361,330	14
Total Assessed Value	<u>\$110,178,790</u>	<u>100%</u>	<u>\$125,001,070</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.08		\$44.08	

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

7. INCOME TAX

The School District levies a voted tax of 0.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. RECEIVABLES

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (student fees), accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>AMOUNTS</u>
General Fund	\$ 750
Food Service Enterprise Fund	<u>7,605</u>
Grand Total	<u><u>\$ 8,355</u></u>

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$153,060
Less Accumulated Depreciation	<u>(142,689)</u>
Net Fixed Assets	<u><u>\$10,371</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$501,742	\$231,806	\$0	\$733,548
Buildings and Improvements	1,173,671	864	0	1,174,535
Furniture, Fixtures and Equipment	1,715,405	204,094	64,819	1,854,680
Vehicles	<u>942,101</u>	<u>18,415</u>	<u>0</u>	<u>960,516</u>
Totals	<u><u>\$4,332,919</u></u>	<u><u>\$455,179</u></u>	<u><u>\$64,819</u></u>	<u><u>\$4,723,279</u></u>

There was no significant construction in progress at June 30, 1999.

10. RISK MANAGEMENT

A. Property and Liability

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 1999, the School District contracted with Nationwide/Wausau Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide/Wausau Insurance are as follows:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. RISK MANAGEMENT (Continued)

A. Property and Liability

Building and Contents-replacement cost (\$1,000 deductible)	\$ 21,125,000
Inland Marine Coverage (\$100 deductible)	745,624
Boiler and Machinery (\$1,000 deductible)	8,579,700
Crime Insurance	20,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Umbrella	1,000,000
Fire Damage Limit (Any one fire)	100,000
Medical Expense Limit (Any one person)	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$53,330, \$76,479, and \$79,791 respectively; 32 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$36,089 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. 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 issues 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 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$182,464, \$349,729, and \$380,150, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,028 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

12. 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 monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board 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 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$243,286 during the 1999 fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

12. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.3 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$58,362 during the 1999 fiscal year.

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty 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. Personal leave is accrued at three days per year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Classified employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 30 hours.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 236 days for all certified personnel and 228 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 48 days except when retiring in the 30th year of cumulative experience the total shall not exceed 57 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through the Horace Mann Life Insurance Company. The School District also provides medical insurance through Anthem Blue Cross and Blue Shield, dental insurance through CoreSource, and vision insurance through Vision Insurance Plan to all eligible employees.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. FUND OBLIGATION

On June 30, 1995, the School District entered into a seven year \$245,000 energy conservation loan for the purpose of implementing energy conservation measures at various School District buildings. This loan will be repaid with property tax revenue allocated from the General Fund. This loan is backed by the full faith and credit of the School District. The energy conservation loan has been reported in and was paid from the General Fund, the fund which had received the proceeds. The Energy Conservation Loan had \$35,000 encumbered for principal payments in the General Fund at year end. The School District's loan activity, including amount outstanding and interest rate follow:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Loan 1995 5.42%	\$175,000	\$0	\$35,000	\$140,000

Principal and interest requirements to retire the energy conservation loan at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$35,000	\$7,588	\$42,588
2001	35,000	5,691	40,691
2002	35,000	3,794	38,794
2003	35,000	1,897	36,897
Total	<u>\$140,000</u>	<u>\$18,970</u>	<u>\$158,970</u>

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Intergovernmental Payable	\$52,428	\$46,420	\$52,428	\$46,420
Compensated Absences	631,837	0	40,190	591,647
Total General Long-Term Obligations	<u>\$684,265</u>	<u>\$46,420</u>	<u>\$92,618</u>	<u>\$638,067</u>

Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid.

The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's voted legal debt margin was \$11,250,096, energy conservation debt margin was \$985,010, and an unvoted debt margin of \$125,001 at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. CONTRIBUTED CAPITAL

During fiscal year 1999, the Food Service Enterprise Fund received a donated asset. The amount representing contributed capital at June 30, 1999, was \$4,760.

17. CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Cardinal Bus Sales & Service	72 Passenger Transit Buses	\$116,832
Centar Industries, Inc.	Remodeling of restrooms	5,000
T.W. Estes Roofing, Inc.	Re-roofing project	24,719
Farnham Company	Install new bleachers	22,900
Federal Commercial Interiors	Lower ceilings	12,341
Midwest Maintenance, Inc.	Tuckpoint and Caulking	5,800
Scioto Valley	Painting interior of building	9,966
Vandalia Blacktop	Paving	33,990

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Miami East Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$215,133	\$41,859	\$256,992
Operating Expenses less Depreciation	310,072	41,365	351,437
Depreciation Expense	1,365	0	1,365
Operating Income (Loss)	(96,304)	494	(95,810)
Federal and State Subsidies	44,881	0	44,881
Interest	1,786	0	1,786
Donated Commodities	36,429	0	36,429
Net Income (Loss)	(13,208)	494	(12,714)
Fixed Asset Addition	500	0	500
Net Working Capital	23,569	3,680	27,249
Total Assets	63,092	3,680	66,772
Long-Term Intergovernmental Payable	12,049	0	12,049
Long-Term Compensated Absences Payable	16,023	0	16,023
Total Equity	5,868	3,680	9,548
Encumbrances Outstanding at June 30, 1999	\$2,254	\$189	\$2,443

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

19. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Education Service Center. The School District paid MDECA \$24,690 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the Council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, Miami East Local School District paid \$17,809 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representative per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher educational representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$3,718 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

(Continued)

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Dayton Area Superintendent's Association - The Dayton Area Superintendent's Association (DASA) is an organization formed by area school Superintendents. The purpose of the organization is to serve as a forum for practicing superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team.

Membership in the organization is open to the greater Dayton area school system superintendents, assistant superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Darke, Greene, Miami, Montgomery, Preble, Shelby, and Warren Counties. The Executive Committee is comprised of eight representatives of DASA member schools or institutions. The members of the Executive Committee are elected annually in each county. The County Superintendent of each county is responsible for the nomination and election of their representative.

All member schools are obligated to pay all dues and fees established by the Executive Committee. During fiscal year 1999, the School District paid \$300 to DASA from the General Fund. To obtain financial information, write to The Dayton Area Superintendent's Association, Buddy Coffey, who serves as DASA Executive Secretary, at 451 West Third Street, Dayton, Ohio 45422-1040.

20. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council's Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, the Superintendent from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

21. CONTINGENCIES

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, 1999.

22. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,359,994 of school foundation support for its General Fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

22. SCHOOL FUNDING COURT DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

23. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the General Fund an amount based on a 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 School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$25,315	\$25,315
Current Year Set-aside Requirement	106,307	106,307	53,154	265,768
Current Year Offsets	0	0	1,601	1,601
Qualifying Disbursements	<u>(88,266)</u>	<u>0</u>	<u>0</u>	<u>(88,266)</u>
Set-aside Cash Balance as of June 30, 1999	\$18,041	\$106,307	\$80,070	\$204,418
Amount Restricted for bus purchases				<u>58,416</u>
Total Restricted Assets				<u>\$262,834</u>

24. YEAR 2000 DISCLOSURE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

24. YEAR 2000 DISCLOSURE (Continued)

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and any associated costs.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems and any associated costs.

Miami County distributes a substantial sum of money to the School District in the form of taxes. The County is responsible for remediating these systems and any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

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

Miami East Local School District
Miami County
3825 North State Route 589
Casstown, Ohio 45312

To the Board of Education:

We have audited the financial statements of the Miami East Local School District, Miami County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 1999.

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

JIM PETRO
Auditor of State

November 30, 1999

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully <u>Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> <u>Valid</u> ; <i>Explain</i> :
1998-10355-001	Monitoring of variances in lunchroom cash register tapes.	Reconciliations were being performed and significant variances could be explained.	Lunchroom receipts have an inherent risk and a certain amount of minimal variances are to be expected. However, satisfactory progress has been made in addressing this prior audit finding.



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MIAMI EAST LOCAL SCHOOL DISTRICT

MIAMI 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 6, 2000**