



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**REGULAR AUDIT**

**JULY 1, 2000 THROUGH JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

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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 (the District), Miami County, as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

November 14, 2001

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**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Assets and Other Debits</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,795,248	\$150,168	\$662,235
Cash and Cash Equivalents with Fiscal Agents		290	
Investments			
<b>Receivables:</b>			
Property and Other Taxes	2,926,296		378,524
Income Taxes	333,901		
Accounts	13,643	3,108	
Intergovernmental	6,532	6,005	
Accrued Interest	2,721		
Inventory of Supplies and Materials	35,913		
Inventory Held for Resale			
Interfund Receivable	30,000		
Prepaid Items	11,525		
<b>Restricted Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	107,936		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
<b>Other Debits:</b>			
Amount to be Provided for Retirement of General Long-Term Debt			
<b>Total Assets and Other Debits</b>	<b>5,263,715</b>	<b>159,571</b>	<b>1,040,759</b>
 <b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities:</b>			
Accounts Payable	73,857	11,507	7,379
Accrued Wages and Benefits Payable	574,496	5,417	
Intergovernmental Payable	160,022	13,596	
Interfund Payable			
Due to Students			
Undistributed Monies			
Deferred Revenue	2,915,069	447	367,863
Compensated Absences Payable	66,528		
Accrued Interest Payable	3,794		
Energy Conservation Loan Payable	70,000		
<b>Total Liabilities</b>	<b>3,863,766</b>	<b>30,967</b>	<b>375,242</b>
 <b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Encumbrances	138,155	8,116	15,975
Reserved for Inventory of Supplies and Materials	35,913		
Reserved for Property Taxes	70,503		10,661
Reserved for Endowments			
Reserved for Textbook Purchases	107,936		
Designated for Capital	181,483		
Unreserved, Undesignated	865,959	120,488	638,881
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>1,399,949</b>	<b>128,604</b>	<b>665,517</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$5,263,715</b>	<b>\$159,571</b>	<b>\$1,040,759</b>

*See Accompanying Notes to the General Purpose Financial Statements.*



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$31,017	\$63,936			\$2,702,604
	30,233			290
				30,233
				3,304,820
				333,901
3,180				19,931
				12,537
				2,721
1,582				37,495
7,982				7,982
				30,000
				11,525
				107,936
9,567		5,073,663		5,083,230
			650,442	650,442
<u>53,328</u>	<u>94,169</u>	<u>5,073,663</u>	<u>650,442</u>	<u>12,335,647</u>
				\$92,743
20,726				600,639
18,513			55,384	247,515
30,000				30,000
	55,090			55,090
	1,931			1,931
6,851				3,290,230
15,315			595,058	676,901
				3,794
				70,000
<u>91,405</u>	<u>57,021</u>		<u>650,442</u>	<u>5,068,843</u>
		5,073,663		5,073,663
4,760				4,760
(42,837)				(42,837)
				162,246
				35,913
	30,000			81,164
				30,000
				107,936
				181,483
	7,148			1,632,476
<u>(38,077)</u>	<u>37,148</u>	<u>5,073,663</u>		<u>7,266,804</u>
<u>\$53,328</u>	<u>\$94,169</u>	<u>\$5,073,663</u>	<u>\$650,442</u>	<u>\$12,335,647</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>					
Property and Other Taxes	\$2,860,487		\$381,643		\$3,242,130
Income Taxes	703,687				703,687
Tuition and Fees	42,583				42,583
Gifts and Donations	1,625	20,260		3,000	24,885
Interest	161,903	3,324	12,948	28	178,203
Intergovernmental	4,031,241	211,427	116,407		4,359,075
Extracurricular Activities		173,376			173,376
Miscellaneous	43,563	37,946			81,509
<b>Total Revenues</b>	<u>7,845,089</u>	<u>446,333</u>	<u>510,998</u>	<u>3,028</u>	<u>8,805,448</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,397,624	37,325	6,162		3,441,111
Special	343,213	186,095			529,308
Vocational	120,330				120,330
Adult/Continuing	40				40
Support Services:					
Pupils	298,755	166,069	9,432		474,256
Instructional Staff	211,723	76,267	2,123		290,113
Board of Education	77,698				77,698
Administration	782,891	15,110	306		798,307
Fiscal	235,283		6,616		241,899
Business	36,949	25			36,974
Operation and Maintenance of Plant	666,705	1,734	15,702		684,141
Pupil Transportation	619,391	22,055	117,480		758,926
Central	189,718	13,582	171,657		374,957
Operation of Non-Instructional Services	3,570	5,889			9,459
Extracurricular Activities	238,183	130,074			368,257
Capital Outlay	19,457	69,048	117,618		206,123
Debt Service:					
Interest and Fiscal Charges	3,794				3,794
<b>Total Expenditures</b>	<u>7,245,324</u>	<u>723,273</u>	<u>447,096</u>		<u>8,415,693</u>
Excess of Revenues Over (Under) Expenditures	<u>599,765</u>	<u>(276,940)</u>	<u>63,902</u>	<u>3,028</u>	<u>389,755</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	18,311				18,311
Operating Transfers - In		251,742	446,479		698,221
Operating Transfers - Out	(698,221)				(698,221)
<b>Total Other Financing Sources (Uses)</b>	<u>(679,910)</u>	<u>251,742</u>	<u>446,479</u>		<u>18,311</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(80,145)	(25,198)	510,381	3,028	408,066
Fund Balances at Beginning of Year	1,475,179	153,802	155,136		1,784,117
Increase in Reserve for Inventory	4,915				4,915
<b>Fund Balances at End of Year</b>	<u>\$1,399,949</u>	<u>\$128,604</u>	<u>\$665,517</u>	<u>\$3,028</u>	<u>\$2,197,098</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Taxes	\$2,856,851	\$2,856,851				
Income Taxes	652,424	652,424				
Tuition and Fees	51,558	51,558				
Gifts and Donations	1,625	1,625		35,260	35,260	
Interest	161,677	161,677		3,324	3,324	
Intergovernmental	4,037,226	4,037,226		217,510	217,510	
Extracurricular Activities				173,831	173,831	
Miscellaneous	36,132	36,132		36,466	36,466	
<b>Total Revenues</b>	<b>7,797,493</b>	<b>7,797,493</b>		<b>466,391</b>	<b>466,391</b>	
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	3,358,659	3,358,659		40,031	40,031	
Special	336,873	336,873		191,754	191,754	
Vocational	119,156	119,156				
Adult/Continuing	280	280				
Other	16,310	16,310				
<b>Support Services:</b>						
Pupils	281,572	281,572		171,917	171,917	
Instructional Staff	213,086	213,086		70,613	70,613	
Board of Education	74,275	74,275				
Administration	792,563	792,563		15,310	15,310	
Fiscal	235,875	235,875				
Business	41,236	41,236		25	25	
Operation and Maintenance of Plant	741,789	741,789		1,734	1,734	
Pupil Transportation	632,251	632,251		21,273	21,273	
Central	207,426	207,426		13,676	13,676	
Operation of Non-Instructional Services	3,570	3,570		5,889	5,889	
Extracurricular Activities	234,619	234,619		141,252	141,252	
Capital Outlay	23,747	23,747		69,949	69,949	
Debt Service:						
Principal Retirement	70,000	70,000				
Interest and Fiscal Charges	9,506	9,506				
<b>Total Expenditures</b>	<b>7,392,793</b>	<b>7,392,793</b>		<b>743,423</b>	<b>743,423</b>	
Excess of Revenues Over (Under) Expenditures	404,700	404,700		(277,032)	(277,032)	
Other Financing Sources (Uses):						
Other Financing Sources	13,665	13,665				
Proceeds from Sale of Fixed Assets	18,311	18,311				
Refund of Prior Year Expenditures	4,338	4,338				
Refund of Prior Year Receipts	(39)	(39)		(1,008)	(1,008)	
Advances Out	(30,000)	(30,000)				
Operating Transfers - In				251,742	251,742	
Operating Transfers - Out	(698,221)	(698,221)				
<b>Total Other Financing Sources (Uses)</b>	<b>(691,946)</b>	<b>(691,946)</b>		<b>250,734</b>	<b>250,734</b>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(287,246)	(287,246)		(26,298)	(26,298)	
Fund Balances at Beginning of Year	1,649,452	1,649,452		102,488	102,488	
Prior Year Encumbrances Appropriated	315,469	315,469		48,094	48,094	
<b>Fund Balances at End of Year</b>	<b>\$1,677,675</b>	<b>\$1,677,675</b>	<b>\$0</b>	<b>\$124,284</b>	<b>\$124,284</b>	<b>\$0</b>

See Accompanying Notes to the General Purpose Financial Statements.

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$381,103	\$381,103				
12,947	12,947		3,000	3,000	
101,407	101,407		28	28	
<u>495,457</u>	<u>495,457</u>		<u>3,028</u>	<u>3,028</u>	
6,162	6,162				
9,432	9,432				
2,123	2,123				
306	306				
6,616	6,616				
16,552	16,552				
117,480	117,480				
156,362	156,362				
146,195	146,195				
<u>461,228</u>	<u>461,228</u>				
34,229	34,229		3,028	3,028	
446,479	446,479				
<u>446,479</u>	<u>446,479</u>				
480,708	480,708		3,028	3,028	
36,433	36,433				
121,740	121,740				
<u>\$638,881</u>	<u>\$638,881</u>	<u>\$0</u>	<u>\$3,028</u>	<u>\$3,028</u>	<u>\$0</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Total (Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$285,042		\$285,042
Interest		1,739	1,739
Total Operating Revenues	<u>285,042</u>	<u>1,739</u>	<u>286,781</u>
<b>Operating Expenses:</b>			
Salaries and Wages	150,870		150,870
Fringe Benefits	47,794		47,794
Purchased Services	6,374		6,374
Supplies and Materials	10,199		10,199
Cost of Sales	183,049		183,049
Other	1,535		1,535
Depreciation	1,250		1,250
Total Operating Expenses	<u>401,071</u>		<u>401,071</u>
Operating Income (Loss)	<u>(116,029)</u>	<u>1,739</u>	<u>(114,290)</u>
<b>Non-Operating Revenues:</b>			
Federal Donated Commodities	32,949		32,949
Interest	913		913
Federal and State Subsidies	47,303		47,303
Total Non-Operating Revenues	<u>81,165</u>		<u>81,165</u>
Net Income (Loss)	(34,864)	1,739	(33,125)
Retained Earnings (Deficit)/Fund Balance at Beginning of Year	<u>(7,973)</u>	<u>32,381</u>	<u>24,408</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	<u><u>(\$42,837)</u></u>	<u><u>\$34,120</u></u>	<u><u>(\$8,717)</u></u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>						
Sales	\$284,525	\$284,525				
Federal and State Subsidies	47,303	47,303				
Interest	913	913		1,739	1,739	
<b>Total Revenues</b>	<u>332,741</u>	<u>332,741</u>		<u>1,739</u>	<u>1,739</u>	
<b>Expenses:</b>						
Salaries and Wages	152,579	152,579				
Fringe Benefits	46,772	46,772				
Purchased Services	7,674	7,674				
Supplies and Materials	157,935	157,935				
Capital Outlay	1,082	1,082				
Other	1,535	1,535				
<b>Total Expenses</b>	<u>367,577</u>	<u>367,577</u>				
Excess of Revenues Over (Under) Expenses Before Advances	(34,836)	(34,836)		1,739	1,739	
Advances In	<u>30,000</u>	<u>30,000</u>				
Excess of Revenues and Advances Over (Under) Expenses	(4,836)	(4,836)		1,739	1,739	
Fund Equity at Beginning of Year	31,280	31,280		32,381	32,381	
Prior Year Encumbrances Appropriated	<u>2,963</u>	<u>2,963</u>				
<b>Fund Equity at End of Year</b>	<u>\$29,407</u>	<u>\$29,407</u>	<u>\$0</u>	<u>\$34,120</u>	<u>\$34,120</u>	<u>\$0</u>

*See Accompanying Notes to the General Purpose Financial Statements.*

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$284,525		\$284,525
Cash Payments for Employee Services and Benefits	(199,351)		(199,351)
Cash Payments to Suppliers for Goods and Services	(164,304)		(164,304)
Other Operating Expenses	(1,535)		(1,535)
Net Cash Used In Operating Activities	<u>(80,665)</u>		<u>(80,665)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	47,303		47,303
Advances In	30,000		30,000
Net Cash Provided By Noncapital Financing Activities	<u>77,303</u>		<u>77,303</u>
Cash Flow from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(777)		(777)
Net Cash Used In Capital and Related Financing Activities	<u>(777)</u>		<u>(777)</u>
Cash Flows from Investing Activities:			
Interest	913	1,739	2,652
Net Cash Provided By Investing Activities	<u>913</u>	<u>1,739</u>	<u>2,652</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,226)	1,739	(1,487)
Cash and Cash Equivalents Beginning of Year	<u>34,243</u>	<u>32,380</u>	<u>66,623</u>
Cash and Cash Equivalents End of Year	<u>31,017</u>	<u>34,119</u>	<u>65,136</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>			
Operating Income (Loss)	(116,029)	1,739	(114,290)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	1,250		1,250
Donated Commodities Received	32,949		32,949
Interest		(1,747)	(1,747)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	(517)		(517)
Increase in Accrued Interest Receivable		8	8
Increase in Inventory of Supplies and Materials	557		557
Decrease in Inventory Held for Resale	624		624
Increase in Accrued Wages Payable	1,041		1,041
Increase in Intergovernmental Payable	2,210		2,210
Increase in Compensated Absences Payable	(2,750)		(2,750)
Net Cash Used In Operating Activities	<u>(\$80,665)</u>	<u>\$0</u>	<u>(\$80,665)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$94,169	
Cash and Cash Equivalents-Expendable Trust Funds and Agency Funds		<u>(60,050)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Funds		<u>\$34,119</u>	

See Accompanying Notes to the General Purpose Financial Statements.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**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 staffed by 56 non-certificated employees, 81 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,358 students and other community members. The School District currently operates 5 instructional buildings.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 has no 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.

The School District is associated with three 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:

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**Jointly Governed Organizations:**

Metropolitan Dayton Educational Cooperative Association  
Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology 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.

**1. Governmental Fund Types:**

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

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 expendable trust or 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).

**2. Proprietary Fund Type:**

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

**Enterprise 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.

**3. 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 expendable, nonexpendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. 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.

**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. The full accrual basis of accounting is followed for the proprietary funds.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, including property taxes, grants, entitlements and donations. On an accrual basis, revenue from property tax is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements including timing requirements, which specify the year when the sources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will be not collected within the available period have also been reported as deferred revenue.

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

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

**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 Special Revenue Fund grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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.

**2. 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 2001. At year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**3. Appropriations:**

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

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant. Prior to year end, the School District passes appropriations to match expenditures plus encumbrances.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Ohio Law prohibits having budgetary expenditures in excess of appropriations at the legal level of control. At May 31, various budgetary expenditures of the District exceeded appropriations.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at 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.

Ohio law requires the fiscal office to certify that the amount required for any expenditure that has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The District did not always obtain certification of the availability of funds prior to making a contract or ordering and expenditure.

**5. Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

To improve cash management, 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.

The balance of the Public School Preschool Special Revenue Fund administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits of the Miami County Educational Service Center.

Investments that are held separately by the nonexpendable trust funds are recorded on the balance sheet as "Investments".

During fiscal year 2001, investments were limited to a repurchase agreement, certificates of deposit and STAR Ohio.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and 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 2001. 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$161,903 which includes \$25,003 assigned from other School District funds. The Special Revenue, Capital Projects, Expendable Trust, Enterprise and Nonexpendable Trust Funds also earned interest in the amount of \$3,324, \$12,948, \$28, \$913 and \$1,739 respectively.

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. 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.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

**G. Restricted Assets**

Restricted assets in the General Fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the purchase of textbooks.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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
- E-Rate

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Career Development
- Professional Development Block Grant
- Education Management Information Systems
- School Net Professional Development
- Instructional Material Subsidy
- Ohio Reads Grant
- Summer Intervention
- Safe School Help Line
- Reading Improvement Incentive
- Title I
- Title III
- Title VI
- Title VI-B
- Title VI-R
- Drug-Free Schools
- Public School Preschool

**Capital Projects Funds**

- School Net
- School Net Plus
- Schoolnet ONEnet
- Schoolnet PRAISE
- Interactive Video Distance Learning

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 50 percent of governmental fund revenue during the 2001 fiscal year.

**J. Interfund Assets/Liabilities**

Short term interfund loans are classified as "Interfund Receivables" and "Interfund Payables".

**K. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**L. 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 sixty days after year end are considered not to have been paid using current available financial resources.

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

**M. 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.

**N. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Fund Balance Reserves and Designations**

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. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial plans or intent. 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, inventory of supplies and materials, property taxes, endowments, and textbook and instructional materials. A fund designation has also been established for capital acquisitions. The designation for capital acquisition represents monies set aside for capital acquisition in excess of statutory requirements.

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 contributions signifies the legal restrictions on the use of principal.

**P. 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.

**Q. 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. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2000 there was an immaterial effect on fund balance as a result of implementing GASB Statements 33 and 36 in the General Fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. ACCOUNTABILITY**

At June 30, 2001, the Education Management Information Systems Special Revenue Fund, Title I and the Food Service Enterprise Fund had deficit fund balance/retained earnings of \$1,005, \$5,503 and \$47,229. The deficit in the Education Management Information Systems Special Revenue Fund and Title I was created by the application of generally accepted accounting principles. The deficit in the Food Service Enterprise Fund is a result of accumulated losses. Of the fund deficit, \$30,000 will be eliminated when the advance shown as an interfund payable is paid off. The School District is analyzing food operations to determine appropriate steps to alleviate the deficit. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**5. 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 Expendable Trust Fund 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:

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 are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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 and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	(\$80,145)	(\$25,198)	\$510,381	\$3,028
Revenue Accruals	(29,593)	24,908	(15,541)	0
Expenditure Accruals	147,178	166	9,222	0
Prepaid Items	823	0	0	0
Loan Principal Payments	(70,000)	0	0	0
Advances	(30,000)	0	0	0
Excess of Revenues Over Expenditures for Nonbudgeted Funds	0	(290)	0	0
Encumbrances	(225,509)	(25,884)	(23,354)	0
Budget Basis	<u>(\$287,246)</u>	<u>(\$26,298)</u>	<u>\$480,708</u>	<u>\$3,028</u>

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

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$34,864)	\$1,739
Revenue Accruals	(517)	0
Expense Accruals	2,863	0
Inventory of Supplies and Materials	(557)	0
Inventory Held for Resale	(624)	0
Acquisition of Capital Assets	(777)	0
Depreciation Expense	1,250	0
Advances	30,000	0
Encumbrances	(1,610)	0
Budget Basis	<u>(\$4,836)</u>	<u>\$1,739</u>

**6. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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;
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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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 Agents" of \$290 shown in the Special Revenue Funds is maintained with the Miami County Educational Service Center, therefore this is not included in the deposits for Miami East Local School District. GASB 3 disclosures regarding this amount can be obtained from the Educational Service Center's 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 \$1,220,547 and the bank balance was \$1,451,440. Of the bank balance:

1. \$130,233 was covered by federal depository insurance; and
2. \$1,321,207 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.

**Investments:** The School District's investments are categorized 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 School District's investments at year end consisted of a repurchase agreement and STAR Ohio. The repurchase agreement is a Category 3 investment, with a fair value of \$335,516. Star Ohio is an unclassified investment, with a fair value of \$1,284,710.

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:



**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$2,810,830	\$30,233
Cash and Cash Equivalents with Fiscal Agent	(290)	0
Investments of the Cash Management Pool:		
Certificates of Deposit	30,233	(30,233)
STAR Ohio	(1,284,710)	1,284,710
Repurchase Agreement	(335,516)	335,516
GASB Statement 3	\$1,220,547	\$1,620,226

**7. 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 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value of December 31, 2000. Collections are made in 2001. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$109,982,270	85.44%	\$112,390,650	82.63%
Public Utility Real	42,170	0.03	31,510	0.02
Tangible Personal Property	18,699,510	14.53	23,603,180	17.35
Total Assessed Value	<u>\$128,723,950</u>	<u>100.00%</u>	<u>\$136,025,340</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.08		\$44.08	

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001 was \$70,503 in the General Fund and \$10,661 in the Permanent Improvement Capital Projects Fund.

**8. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. RECEIVABLES**

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (student fees), accrued interest, interfund and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Refund from Montgomery County	\$ 6,375
Miami Valley CTC Sub Reimbursement	<u>157</u>
	<u>6,532</u>
Special Revenue Funds	
Athletic	100
Title VI-R	<u>5,905</u>
	<u>6,005</u>
Grand Total	<u><u>\$12,537</u></u>

**10. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$149,725
Less Accumulated Depreciation	<u>(140,158)</u>
Net Fixed Assets	<u><u>\$9,567</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/2000	Additions	Deletions	Balance at 6/30/2001
Land and Improvements	\$856,220	\$36,930	\$0	\$893,150
Buildings and Improvements	1,258,140	0	0	1,258,140
Furniture, Fixtures and Equipment	1,863,537	233,338	348,033	1,748,842
Vehicles	1,013,759	235,960	76,188	1,173,531
Totals	<u><u>\$4,991,656</u></u>	<u><u>\$506,228</u></u>	<u><u>\$424,221</u></u>	<u><u>\$5,073,663</u></u>

There was no significant construction in progress at June 30, 2001.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. 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 2001, 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:

Building and Contents-replacement cost (\$1,000 deductible)	\$ 23,693,100
Inland Marine Coverage (\$100 deductible)	750,624
Boiler and Machinery (\$1,000 deductible)	10,198,300
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 2001, 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. 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 defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$37,735, \$45,768, and \$53,330, respectively; 37 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$23,792 representing the unpaid contribution for fiscal year 2001, 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 contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations 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 contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$376,570, \$214,584, and \$182,464, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$58,729 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2001, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**13. 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$178,375 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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. For fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase from 1.3 percent for fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$103,651.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

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 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. OTHER 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 40 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 266 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.

**15. 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. FUND OBLIGATION (Continued)**

The School District's loan activity, including amount outstanding and interest rate follow:

	Principal Outstanding 6/30/2000	Additions	Deductions	Principal Outstanding 6/30/2001
Energy Conservation Loan 1995 5.42%	\$105,000	\$0	\$35,000	\$70,000

Principal and interest requirements to retire the energy conservation loan at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	35,000	3,794	38,794
2003	35,000	1,897	36,897
Total	\$70,000	\$5,691	\$75,691

**16. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Amount Outstanding 6/30/2000	Additions	Deductions	Amount Outstanding 6/30/2001
Intergovernmental Payable	\$54,277	\$55,384	\$54,277	\$55,384
Compensated Absences	592,877	2,181	0	595,058
Total General Long-Term Obligations	\$647,154	\$57,565	\$54,277	\$650,442

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 \$12,242,281, energy conservation debt margin was \$1,154,228, and an unvoted debt margin of \$136,025 at June 30, 2001.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had contractual purchase commitments as follows:

Contractor	Project	Contract Amount	Amount Expended	Balance at 6-30-01
Vandalia Blacktop & Seal	Paving Parking Lots	\$8,850	\$0	\$8,850
	High School Band			
Long Remodelers	Storage Building	5,750	0	5,750

**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, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$245,423	\$39,619	\$285,042
Depreciation Expense	1,250	0	1,250
Operating Income (Loss)	(116,053)	24	(116,029)
Federal Donated Commodities	32,949	0	32,949
Interest	913	0	913
Federal and State Subsidies	47,303	0	47,303
Net Income (Loss)	(34,888)	24	(34,864)
Fixed Asset Additions	777	0	777
Fixed Asset Deletions	1,522	0	1,522
Net Working Capital (Deficit)	(36,721)	4,392	(32,329)
Total Assets	48,936	4,392	53,328
Long-Term Compensated Absences Payable	15,315	0	15,315
Total Equity (Deficit)	(42,469)	4,392	(38,077)
Encumbrances Outstanding at June 30, 2001	\$1,610	\$0	\$1,610

**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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
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**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 \$50,972 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 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. 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 2001, Miami East Local School District paid \$13,361 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 2001, the School District paid \$4,423 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**20. INSURANCE PURCHASING POOL**

**Southwestern Ohio Educational Purchasing Council 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, 2001.

**22. SET-ASIDE CALCULATIONS**

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 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, 2000	\$82,463	\$0	\$109,068	\$191,531
Current Year Set-aside Requirement	181,483	181,483	0	362,966
Reduction in Requirement Based on Revised Legislation	0	0	(109,068)	(109,068)
Current Year Offsets	0	(381,103)	0	(381,103)
Qualifying Disbursements	(156,010)	0	0	(156,010)
Total	<u>\$107,936</u>	<u>(\$199,620)</u>	<u>\$0</u>	<u>(\$ 91,684)</u>
Cash Balance carried forward to FY 2001	<u>\$107,936</u>	<u>\$0</u>	<u>\$0</u>	<u>\$107,936</u>

Although the School District had offsets for capital acquisitions during the year that reduced the set-aside amount to below zero, this extra amount may not be used to reduce the set-aside requirements of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The Budget Stabilization reduction was a transfer to Classroom Facilities Fund as allowed by revised legislation.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**23. INTERFUND ACTIVITY**

As of June 30, 2001, the General Fund had an interfund receivable of \$30,000, while the Food Service Enterprise Fund had an interfund payable of \$30,000.

**24. SUBSEQUENT EVENT**

**A. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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 Miami East Local School District (the District), Miami County, as of and for the year ended June 30, 2001 and have issued our report thereon dated November 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10355-001 and 2001-10355-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 14, 2001.

**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 14, 2001.

Miami East Local School District  
Miami County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

November 14, 2001

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001**

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

**FINDING NUMBER 2001-10355-001**

**Ohio Rev. Code Section 5705.41(B)** prohibits a subdivision from having budgetary expenditures (cash disbursements plus outstanding encumbrances) in excess of appropriations at the legal level control. The legal level of control is the level at which the Board of Education approves appropriations. For the District, this was at the fund, function and object level. Failure to ensure budgetary expenditures are within appropriations could result in the District incurring deficit fund balances.

The following items had expenditures in excess of amounts appropriated at May 31, 2001.

Fund	Amount Appropriated	Encumbered And Expended	Unfavorable Variance
Permanent Improvement Fund			
Pupil Transportation			
Purchase Replacement	\$ 62,000	\$117,480	\$55,480
Food Service Fund			
Food Service Operations			
Supplies and Materials	115,800	164,258	48,458
Public School Support Fund			
Support Service - Pupils	18,600	37,401	18,801
Athletics			
Sports Oriented Activities -			
Supplies and Materials	30,050	60,949	30,899
Site Improvement -			
Purchased Services	2,000	28,460	26,460
Supplies Services	500	31,630	31,130

In addition to the items referred to above, there were instances of immaterial noncompliance for the period examined.

To meet compliance with the above Section of Code and to reduce the risk of deficit fund balances, the District should develop and implement procedures to monitor expenditures and encumbrances and compare with budgeted amounts. In instances where appropriations appear insufficient to meet projected needs, the Board should pass a resolution to amend.

MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2001  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2001-10355-002

**Ohio Rev. Code Section 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This Section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the school district must approve of such payment within thirty days of the date of the fiscal officer's certification.

The District did not comply with the certification requirements and did not fulfill the requirements of the exception for 30.5% of expenditures tested.



MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-10355-001	Ohio Rev. Code Section 5705.41(D)	No	Not Corrected. Reissued as Finding No . 2001-10355-002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
DECEMBER 18, 2001**