



**Auditor of State  
Betty Montgomery**



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June, 30, 2005 .....	11
Statement of Activities - For the Fiscal Year Ended June 30, 2005 .....	12
Balance Sheet – Governmental Funds - June 30, 2005.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2005 .....	14
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - For the Fiscal Year Ended June 30, 2005 .....	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Fiscal Year Ended June 30, 2005 .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Fiduciary Net Assets - June, 30, 2005 .....	18
Statement of Changes in Fiduciary Assets – For the Fiscal Year Ended June 30, 2005.....	19
Notes to the Basic Financial Statements .....	21
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
Schedule of Findings.....	49

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District, Miami County, Ohio, as of June 30, 2005, and the budgetary comparison for the General Fund 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 February 7, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

February 7, 2006

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Miami East Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets decreased \$836,377, which represents an 17.7 percent decrease from 2004.
- General revenues accounted for \$9,601,086 in revenue or 85.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for \$1,680,584 or 14.9 percent of total revenues of \$11,281,670.
- Total assets of governmental activities decreased by \$1,921,263 and capital assets increased by \$498,973.
- The School District had \$12,118,047 in expenses; only \$1,680,584 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$9,601,086 plus net assets at the beginning of the year of \$4,736,366 provided for these programs.
- The General Fund had \$9,349,716 in revenues and \$9,128,546 in expenditures. The General Fund's balance decreased \$89,209 from 2004.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Miami East Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Fund, Permanent Improvement Fund, and the Classroom Facilities Fund.

**Governmental Funds**

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



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

	<b>Table 1</b>	
	<b>Net Assets</b>	
	<u>2004</u>	<u>2005</u>
<b>Assets:</b>		
Current and Other Assets	\$7,933,968	\$5,513,732
Capital Assets	15,195,471	15,694,444
Total Assets	<u>23,129,439</u>	<u>21,208,176</u>
<b>Liabilities:</b>		
Long-Term Liabilities	10,927,283	10,761,452
Other Liabilities	7,465,790	6,546,735
Total Liabilities	<u>18,393,073</u>	<u>17,308,187</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Debt	3,827,440	3,989,452
Restricted	1,495,401	782,180
Unrestricted (deficit)	(586,475)	(871,643)
Total Net Assets	<u><u>\$4,736,366</u></u>	<u><u>\$3,899,989</u></u>

Total assets of governmental activities decreased by \$1,921,263 and capital assets increased by \$498,973. Capital assets increased due to construction in progress for various school improvements along with purchases of computer equipment. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$285,168 mainly because the School District spent more in fiscal year 2005 than what was taken in for revenue.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

Table 2 shows the changes in net assets for the fiscal years ended 2005 and 2004.

**Table 2  
Changes in Net Assets**

	<u>2004</u>	<u>2005</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$860,942	\$816,025
Operating Grants, Interest, and Contributions	766,807	843,847
Capital Grants, Interest, and Contributions	112,821	20,712
Total Program Revenues	<u>1,740,570</u>	<u>1,680,584</u>
General Revenues:		
Property Taxes	3,085,802	3,691,297
Income Tax	646,872	767,727
Grants and Entitlements	5,074,329	5,020,493
Investment Earnings	0	38,872
Miscellaneous	69,084	82,697
Total General Revenues	<u>8,876,087</u>	<u>9,601,086</u>
Total Revenues	<u>10,616,657</u>	<u>11,281,670</u>
<b>Program Expenses:</b>		
Instruction:		
Regular	4,617,374	5,391,335
Special	847,246	908,662
Vocational	130,278	126,569
Support Services:		
Pupils	481,081	528,159
Instructional Staff	387,793	356,170
Board of Education	82,228	74,848
Administration	903,345	976,902
Fiscal	321,714	311,283
Business	31,768	56,051
Operation and Maintenance of Plant	771,765	864,949
Pupil Transportation	775,096	785,331
Central	247,981	342,556
Operation of Non-Instructional Services	391,929	438,977
Extracurricular Activities	378,791	384,906
Interest and Fiscal Charges	548,488	571,349
Total Expenses	<u>10,916,877</u>	<u>12,118,047</u>
Decrease in Net Assets	<u>(\$300,220)</u>	<u>(\$836,377)</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 33 percent of revenues for governmental activities for the School District for fiscal year 2005.

Instruction comprises 53 percent of School District expenses. Support services expenses make up 35.5 percent of the expenses. Administration and fiscal/business services comprise 11 percent of School District expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<b>Total Cost of Services 2004</b>	<b>Net Cost Of Services 2004</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
Instruction	\$5,594,898	\$4,658,485	\$6,426,566	\$5,531,788
Support Services:				
Pupils	481,081	350,551	528,159	406,328
Instructional Staff	387,793	309,025	356,170	274,925
Board of Education	82,228	82,228	74,848	74,848
Administration	903,345	894,161	976,902	972,172
Fiscal	321,714	302,715	311,283	307,575
Business	31,768	31,768	56,051	56,051
Operation and Maintenance of:				
Plant	771,765	771,765	864,949	862,857
Pupil Transportation	775,096	725,846	785,331	756,976
Central	247,981	216,579	342,556	309,106
Operation of Non-Instructional Services	391,929	16,953	438,977	25,708
Extracurricular Activities	378,791	267,743	384,906	287,780
Interest and Fiscal Charges	548,488	548,488	571,349	571,349
<b>Total Expenses</b>	<b><u>\$10,916,877</u></b>	<b><u>\$9,176,307</u></b>	<b><u>\$12,118,047</u></b>	<b><u>\$10,437,463</u></b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular activities includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment, and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 86.1 percent; for all activities general revenue support is also 86.1 percent.

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,301,183 and expenditures of \$13,036,120. The net change in fund balances for the year in the General Fund, the Bond Retirement Fund, the Permanent Improvement Fund, and the Classroom Facilities Funds were (\$89,209), \$62,176, \$54,046, and (\$1,541,136), respectively.

The net change in fund balance in the General Fund was caused by increases in expenditures, particularly capital outlay and wages.

**General Fund Budgeting Highlights**

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

During the course of the fiscal year 2005, the School District amended its General Fund budget, which resulted in appropriations decreasing by \$554,843, a 5.5 percent decrease.

The Board of Education and the administration make dollars available to offer a comprehensive academic curriculum with a wide range of academic choices such as: gifted education, vocational programs, and college preparatory. The School District also provides speech and language therapy, as well as psychological services and counseling. The School District offers opportunities for students to participate in a wide range of extracurricular activities. The School District's mission is "to provide an individually focused and progressive, quality education that enables students to be contributing citizens of the local and world communities". This goal is kept in mind at the time budgets are created and when final expenditures are made. This mission statement guides the School District in all phases of operation.

For the general fund, the budget basis revenue differed from the original budgeted estimates of \$9,176,176 by \$174,916 to \$9,351,092.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

During fiscal year 2005, the School District originally budgeted \$2,777,424 and \$5,156,015 for property taxes and intergovernmental revenues, respectively. The School District received \$2,792,754 in property taxes revenue, while the School District received \$5,254,615 in intergovernmental revenue.

The School District's ending unobligated cash balance was \$729,759 above the original budget amount.

**Capital Assets**

At the end of the fiscal year 2005, the School District had \$15,694,444 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

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

	<u>2004</u>	<u>2005</u>
Land	\$259,540	\$247,182
Construction in Progress	12,705,520	0
Land Improvements	355,608	638,851
Buildings and Improvements	793,514	13,380,864
Furniture, Fixtures and Equipment	561,814	1,024,272
Vehicles	519,475	403,275
Totals	<u>\$15,195,471</u>	<u>\$15,694,444</u>

Overall capital assets increased \$498,973 from fiscal year 2004 to fiscal year 2005. Increases in capital assets (primarily land improvements, building and improvements, and furniture, fixtures, and equipment) were offset by depreciation expense for the year. The majority of equipment purchased during fiscal year 2005 was for new computer equipment throughout the School District and classroom and cafeteria equipment for the K-8 Building.

At fiscal year end, the School District had contractual commitments with various vendors with a balance of \$64,630. For more information on capital assets, refer to Notes 10 of the basic financial statements.

**Debt Administration**

At June 30, 2005, the School District had \$11,876,495 in total outstanding debt of bonds and loans. This figure includes accretion on capital appreciation notes. At June 30, 2005, the School District's overall legal debt margin was \$1,406,209 and the unvoted debt margin was \$144,565. For more information on debt administration, refer to Notes 15 and 16 of the basic financial statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Current Financial Issues and Concerns**

The School District is proud of its community support of the public schools. The building facilities project as well as the other permanent improvement projects in progress will help keep the School District facilities in excellent physical condition and allow the Board of Education and administration to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations. The School District had a major company move its operations out of state, and several small companies relocate to other counties in the area. The full impact of the lost revenues was felt in fiscal year 2005. Along with the decline in the industrial tax base, the School District is experiencing a declining enrollment. These two factors along with state budget cuts contributed to the decline in revenue from fiscal year 2004 to fiscal year 2005. The Board of Education and administration will be carefully weighing their options in order to prudently provide the necessary resources for student success now and in the future. The School District will be closely watching the five-year forecast and updating it when new information becomes available.

During the 2004-05 school year, Miami East received assessment documents from the Ohio Facilities Commission. A committee was established to review meaningful plans for repair and/or replacement of buildings. The aforementioned Classroom Facilities Fund has been set forth to set-aside monies for potential projects.

In conclusion, the Miami East Local School District has committed itself to financial excellence for many years. The School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Michael R. Sommer, Treasurer at Miami East Local School District, 3825 North State Route 589, Casstown, Ohio 45312-9707 or email at [me\\_treas@mdeca.org](mailto:me_treas@mdeca.org).

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,284,572
Cash and Cash Equivalents with Fiscal Agent	32,242
Accrued Interest Receivable	1,384
Intergovernmental Receivable	44,360
Accounts Receivable	12,246
Prepaid Items	37,904
Materials and Supplies Inventory	34,003
Income Taxes Receivable	308,401
Property Taxes Receivable	3,758,620
Nondepreciable Capital Assets	247,182
Depreciable Capital Assets, Net	15,447,262
<b>Total Assets</b>	<b>21,208,176</b>
 <b>Liabilities:</b>	
Accounts Payable	60,930
Contracts Payable	6,800
Accrued Wages and Benefits Payable	678,112
Matured Compensated Absences Payable	16,860
Accrued Interest Payable	42,321
Notes Payable	2,000,000
Retainage Payable	382
Intergovernmental Payable	276,609
Deferred Revenue	3,464,721
Long-Term Liabilities:	
Due Within One Year	424,933
Due in More Than One Year	10,336,519
<b>Total Liabilities</b>	<b>17,308,187</b>
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,989,452
Restricted for:	
Debt Service	67,794
Capital Outlay	362,488
Other Purposes	105,475
Set-Asides	246,423
Unrestricted (Deficit)	(871,643)
<b>Total Net Assets</b>	<b>\$3,899,989</b>

*See Accompanying Notes to the Basic Financial Statements.*

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30,2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$5,391,335	\$394,436	\$55,259	\$4,410	(\$4,937,230)
Special	908,662		403,015		(505,647)
Vocational	126,569		37,658		(88,911)
Support Services:					
Pupils	528,159	27,577	94,153	101	(406,328)
Instructional Staff	356,170		81,245		(274,925)
Board of Education	74,848				(74,848)
Administration	976,902	4,116	614		(972,172)
Fiscal	311,283		3,303	405	(307,575)
Business	56,051				(56,051)
Operation and Maintenance of Plant	864,949		1,687	405	(862,857)
Pupil Transportation	785,331	2,881	25,474		(756,976)
Central	342,556		18,059	15,391	(309,106)
Operation of Non-Instructional Services					
	438,977	295,686	117,583		(25,708)
Extracurricular Activities	384,906	91,329	5,797		(287,780)
Interest and Fiscal Charges	571,349				(571,349)
Total Governmental Activities	<u>\$12,118,047</u>	<u>\$816,025</u>	<u>\$843,847</u>	<u>\$20,712</u>	<u>(10,437,463)</u>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	2,910,629
Debt Service	409,109
Capital Outlay	371,559
Income Taxes	767,727
Grants and Entitlements not Restricted to Specific Programs	5,020,493
Investment Earnings	38,872
Miscellaneous	82,697
Total General Revenues	<u>9,601,086</u>
Change in Net Assets	(836,377)
Net Assets Beginning of Year	<u>4,736,366</u>
Net Assets End of Year	<u>\$3,899,989</u>

See Accompanying Notes to the Basic Financial Statements.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**BALANCE SHEET  
GOVERNMENT FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$481,748	\$59,584	\$299,292	\$16,773	\$150,462	\$1,007,859
Cash and Cash Equivalents with Fiscal Agent				382	31,860	32,242
Receivables:						
Property Taxes	2,841,190	558,289	359,141			3,758,620
Income Taxes	308,401					308,401
Accounts	6,305				5,941	12,246
Intergovernmental	12,800				31,560	44,360
Interfund	26,292					26,292
Accrued Interest	1,384					1,384
Materials and Supplies Inventory	21,080				12,923	34,003
Prepaid Items	37,904					37,904
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	276,713					276,713
<b>Total Assets</b>	<u>4,013,817</u>	<u>617,873</u>	<u>658,433</u>	<u>17,155</u>	<u>232,746</u>	<u>5,540,024</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	57,719		1,500		1,711	60,930
Contracts Payable			5,300	1,500		6,800
Retainage Payable				382		382
Accrued Wages and Benefits Payable	638,767				39,345	678,112
Interfund Payable					26,292	26,292
Intergovernmental Payable	255,925				20,684	276,609
Deferred Revenue	2,702,759	517,515	333,895		16,199	3,570,368
Accrued Interest Payable				4,375		4,375
Notes Payable				2,000,000		2,000,000
Matured Compensated Absences Payable	13,466				3,394	16,860
<b>Total Liabilities</b>	<u>3,668,636</u>	<u>517,515</u>	<u>340,695</u>	<u>2,006,257</u>	<u>107,625</u>	<u>6,640,728</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	126,316		35,340	500	16,848	179,004
Reserved for Property Taxes	189,646	40,774	25,246			255,666
Reserved for Textbook Purchases	246,423					246,423
Reserved for Bus Purchases	30,290					30,290
Unreserved, Undesignated, (Deficit) Reported in:						
General Fund	(247,494)					(247,494)
Special Revenue Funds					108,273	108,273
Debt Service Fund		59,584				59,584
Capital Projects Funds			257,152	(1,989,602)		(1,732,450)
<b>Total Fund Balances</b>	<u>345,181</u>	<u>100,358</u>	<u>317,738</u>	<u>(1,989,102)</u>	<u>125,121</u>	<u>(1,100,704)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$4,013,817</u>	<u>\$617,873</u>	<u>\$658,433</u>	<u>\$17,155</u>	<u>\$232,746</u>	<u>\$5,540,024</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005**

Total Governmental Fund Balances (\$1,100,704)

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

Some assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	247,182	
Land Improvements	896,928	
Buildings and Improvements	14,231,195	
Furniture, Fixtures, and Equipment	1,852,119	
Vehicles	1,204,320	
Accumulated Depreciation	<u>(2,737,300)</u>	
		15,694,444

Long-term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Property Taxes	38,233	
Income Taxes	40,867	
Accounts Receivable	12,791	
Intergovernmental Grants	<u>13,756</u>	
		105,647

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

These liabilities consist of:

Accrued Interest Payable	(37,946)	
Accretion of Capital Appreciation Bonds	(171,503)	
General Obligation Bonds	(9,704,992)	
Compensated Absences	<u>(884,957)</u>	
Total Liabilities		<u>(10,799,398)</u>

Net Assets of Governmental Activities \$3,899,989

*See Accompanying Notes to the Basic Financial Statements.*

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES , EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>General</b>	<b>Bond Retirement</b>	<b>Permanent Improvement</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>						
Property Taxes	\$2,935,382	\$407,032	\$375,183			\$3,717,597
Income Taxes	760,357					760,357
Intergovernmental	5,254,615	44,815	53,128		\$515,868	5,868,426
Interest	38,689	3,303	5,067	\$4,410	1,195	52,664
Tuition and Fees	343,396				36,376	379,772
Extracurricular Activities	2,280				130,837	133,117
Gifts and Donations	700				10,197	10,897
Customer Sales and Services					295,680	295,680
Miscellaneous	14,297	6,449	2,389		59,538	82,673
<b>Total Revenues</b>	<b>9,349,716</b>	<b>461,599</b>	<b>435,767</b>	<b>4,410</b>	<b>1,049,691</b>	<b>11,301,183</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,596,698			304,130	111,723	5,012,551
Special	673,577				184,962	858,539
Vocational	116,767				1,836	118,603
<b>Support Services:</b>						
Pupils	256,329		1,571		190,122	448,022
Instructional Staff	183,265				117,609	300,874
Board of Education	74,642					74,642
Administration	891,040	2	5		7,439	898,486
Fiscal	283,208	6,526	6,252		13,644	309,630
Business	43,340				72	43,412
Operation and Maintenance of Plant	778,176		6,585	1,136	4,274	790,171
Pupil Transportation	650,072				19,424	669,496
Central	229,037		66,440	12,542	33,841	341,860
Operation of Non-Instructional Services	649			2,647	386,050	389,346
Extracurricular Activities	253,500				93,140	346,640
Capital Outlay	98,246		308,394	1,223,105	4,650	1,634,395
<b>Debt Service:</b>						
Principal Retirement		295,000				295,000
Interest and Fiscal Charges		459,586		44,867		504,453
<b>Total Expenditures</b>	<b>9,128,546</b>	<b>761,114</b>	<b>389,247</b>	<b>1,588,427</b>	<b>1,168,786</b>	<b>13,036,120</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>221,170</b>	<b>(299,515)</b>	<b>46,520</b>	<b>(1,584,017)</b>	<b>(119,095)</b>	<b>(1,734,937)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	1,687	162,571		42,881	151,034	358,173
Proceeds from Sale of Capital Assets	1,539	242,001	7,526		1,500	252,566
Transfers Out	(313,605)	(42,881)			(1,687)	(358,173)
<b>Total Other Financing Sources (Uses)</b>	<b>(310,379)</b>	<b>361,691</b>	<b>7,526</b>	<b>42,881</b>	<b>150,847</b>	<b>252,566</b>
<b>Net Change in Fund Balances</b>	<b>(89,209)</b>	<b>62,176</b>	<b>54,046</b>	<b>(1,541,136)</b>	<b>31,752</b>	<b>(1,482,371)</b>
<b>Fund Balance (Deficit) at Beginning of Year - Restated Note 3</b>	<b>434,390</b>	<b>38,182</b>	<b>263,692</b>	<b>(447,966)</b>	<b>93,369</b>	<b>381,667</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$345,181</b>	<b>\$100,358</b>	<b>\$317,738</b>	<b>(\$1,989,102)</b>	<b>\$125,121</b>	<b>(\$1,100,704)</b>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds (\$1,482,371)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital Outlay	1,331,334	
Current Year Depreciation Expense	(709,610)	
Excess of Capital Outlay over Depreciation Expense		621,724

The cost of disposed capital assets is removed from the capital assets account on the statement of net assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(252,566)	
Gain on Sale of Capital Assets	129,815	
		(122,751)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 295,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due, and thus requires the use of current financial resources. In the statement of activities the additional amount of interest on the statement of net activities is the result of the following:

Accretion of Capital Appreciation Bonds	(67,599)	
Net Decrease in Accrued Interest Payable	703	
		(66,896)

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Deferred revenues changed by these amounts this year:

Property Taxes	(26,300)	
Income Taxes	7,370	
Accounts Receivable	7,663	
Intergovernmental Grants	(8,246)	
		(19,513)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences		(61,570)
----------------------------------	--	----------

Change in Net Assets of Governmental Activities (\$836,377)

See *Accompanying Notes to the Basic Financial Statements*.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property Taxes	\$2,777,424	\$2,792,754	\$2,792,754	
Income Taxes	634,280	748,791	748,791	
Intergovernmental	5,156,015	5,254,615	5,254,615	
Interest	25,000	37,488	37,488	
Tuition and Fees	273,000	335,688	335,688	
Extracurricular Activities	2,000	2,280	2,280	
Gifts and Donations		700	700	
Miscellaneous	113,457	14,566	14,566	
Total Revenues	<u>8,981,176</u>	<u>9,186,882</u>	<u>9,186,882</u>	
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,355,806	4,202,756	4,202,756	
Special	747,816	642,057	642,057	
Vocational	139,051	118,891	118,891	
Other	450,398	440,533	440,533	
Support Services:				
Pupils	357,202	296,594	296,594	
Instructional Staff	231,830	194,220	194,220	
Board of Education	95,250	74,590	74,590	
Administration	920,354	908,350	908,350	
Fiscal	299,497	281,404	281,404	
Business	70,193	49,379	49,379	
Operation and Maintenance of Plant	832,437	831,416	831,416	
Pupil Transportation	773,625	709,644	709,644	
Central	453,172	248,456	248,456	
Operation of Non-Instructional Services	600	749	749	
Extracurricular Activities	283,836	260,450	260,450	
Capital Outlay	112,720	107,194	107,194	
Total Expenditures	<u>10,123,787</u>	<u>9,366,683</u>	<u>9,366,683</u>	
Excess of Revenues Under Expenditures	<u>(1,142,611)</u>	<u>(179,801)</u>	<u>(179,801)</u>	
<b>Other Financing Sources and Uses:</b>				
Proceeds from Sale of Capital Assets		1,961	1,961	
Refund of Prior Year Expenditure		6,798	6,798	
Transfers In	195,000	1,687	1,687	
Transfers Out	(137,636)	(313,605)	(313,605)	
Advances In		153,764	153,764	
Advances Out		(26,292)	(26,292)	
Total Other Financing Sources (Uses)	<u>57,364</u>	<u>(175,687)</u>	<u>(175,687)</u>	
Net Change in Fund Balance	(1,085,247)	(355,488)	(355,488)	
Fund Balance at Beginning of Year	760,699	760,699	760,699	
Prior Year Encumbrances Appropriated	170,784	170,784	170,784	
Fund Balance (Deficit) at End of Year	<u>(\$153,764)</u>	<u>\$575,995</u>	<u>\$575,995</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,833	\$55,201
<b>Liabilities:</b>		
Undistributed Monies		1,067
Due to Students		54,134
Total Liabilities		\$55,201
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$10,833	

*See Accompanying Notes to the Basic Financial Statements.*

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$353
Interest	364
Total Additions	<u>717</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>36,040</u>
Change in Net Assets	(35,323)
Net Assets Beginning of Year	<u>46,156</u>
Net Assets End of Year	<u><u>\$10,833</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**This page intentionally left blank.**



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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 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 53 non-certificated employees, 80 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,327 students and other community members. The School District currently operates 3 instructional buildings.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Miami East Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in three jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'  
Compensation Group Rating Plan  
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan  
Ohio School Plan

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the School District's major governmental funds:

**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.

**Bond Retirement Fund** – The bond retirement debt service fund accounts for property tax revenues and state exemption reimbursements collected for the payment of general obligation bonded debt.

**Permanent Improvement Fund** – The permanent improvement capital projects fund accounts for property tax revenues and state exemption reimbursements collected for the purchase of capital assets.

**Classroom Facilities Fund** - The classroom facilities fund accounts for financial resources to be used for the new K-8 building.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Private Purpose Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's two trust funds are private purpose trusts which account for college scholarship programs for students. One of the School District's two agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The other agency fund accounts for employee monies used under a Section 125 plan.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

**C. Measurement Focus**

**1. Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**2. Fund Financial Statements**

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

**D. Basis of Accounting**

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

**1. Revenues - Exchange and Non-exchange Transactions**

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

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, income taxes, tuition, interest, grants, and student fees.

**2. Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, except the Classroom Facilities Fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in an account at a financial institution for retainage, pass through grants administered by Miami County Educational Service Center and endowments administered by Miami East Education Foundation and not held with the Treasurer are reported as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits.

During fiscal year 2005, the School District invested in STAROhio (State Treasury Asset Reserve of Ohio).

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

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 2005 amounted to \$38,689 which includes \$12,127 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

**F. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption and purchased food held for resale.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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/expense is reported in the fiscal year in which services are consumed.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent amounts required by statute to be set aside by the School District for the purchase of textbooks and revenues restricted for the purchase of buses. See Note 19 for additional information regarding set-asides.

**J. Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of seven hundred and fifty dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	7 years
Buildings and Improvements	20-50 years
Furniture, Fixtures, and Equipment	3-15 years
Vehicles	5-10 years

**K. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation are recognized as a liability on the government-wide financial statements when due.

**L. 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, compensatory time, and personal leave when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

**M. Compounded Interest on Capital Appreciation Bonds**

Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. The compounded interest on the capital appreciation bonds are presented as an addition of the face amount of the bonds payable.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

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

**O. Fund Balance Reserves**

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

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

**P. Interfund Activity**

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

**Q. Estimates**

The preparation of the 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 BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

**R. Budgetary Process**

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The Public School Preschool Special Revenue Fund and a portion of the Miscellaneous State Grants Fund's grant activity that is administered by a fiscal agent is not budgeted by the School District. The major documents prepared are the alternative tax document, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education 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.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time the final appropriations were passed by the Board of Education. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. The financial statements are presented at less detail than the legal level of control. Prior to fiscal year-end, the School District approved amended appropriations which matched appropriations to expenditures plus encumbrances at fiscal year-end.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the School District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers."

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability for each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The effect of this charge resulted in the following restatement of fund balances:

	<b>General</b>	<b>Bond Retirement</b>	<b>Permanent Improvement</b>
Fund Balance (Deficit), June 30, 2004	\$512,108	\$38,182	\$263,692
Intergovernmental Payable	(77,718)	0	0
Adjusted Fund Balance (Deficit), June 30, 2004	<u>\$434,390</u>	<u>\$38,182</u>	<u>\$263,692</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

	<b>Classroom Facilities</b>	<b>Non-major</b>	<b>Total</b>
Fund Balance (Deficit), June 30, 2004	(\$447,966)	\$107,359	\$473,375
Intergovernmental Payable	0	(13,990)	(91,708)
Adjusted Fund Balance (Deficit), June 30, 2004	(\$447,966)	\$93,369	\$381,667

**4. ACCOUNTABILITY**

At June 30, 2005, the Title VI-B, Title V, Title II-D, Title II-A and Classroom Facilities Funds had deficit fund balances of \$674, \$1,206, \$942, \$8223 and \$1,989,102, respectively. The Special Revenue Funds deficits will be eliminated when the advances - in, shown as interfund payable, are paid off. The advances were made to cover expected cash flow problems. Future grant receipts will be used to pay the advances. The deficit in the Classroom Facilities Capital Projects Fund was the result of the requirement to report bond anticipation notes in the fund which received the note proceeds. This deficit will be alleviated when the note is paid.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budget basis and GAAP basis are as follows:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<b>Net Change in Fund Balance</b>	
GAAP Basis	(\$89,209)
Net Adjustment for Revenue Accruals	(155,614)
Net Adjustment for Expenditure Accruals	(17,767)
Advances	127,472
Prepaid Items	(37,904)
Adjustment for Encumbrances	(182,466)
Budget Basis	(\$355,488)

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$511,081 of the School District's bank balance of \$611,463 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

As of June 30, 2005, the School District's only investment was STAROhio. The investment is an internal investment pool. The carrying and fair value of the investment was \$781,108 with an average maturity.

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy allows the Treasurer to invest to a maximum of twenty-five percent (25%) of the District's interim funds in either or a combined total of commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, or general or limited partnership which has assets exceeding \$500,000,000. Investments made by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the District. The Treasurer, acting in accord with the law, may withdraw funds from approved public depositories or sell negotiable instruments prior to maturity.

**Credit Risk** - STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**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.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$189,646 in the General Fund, \$40,774 in the Bond Retirement Fund, and \$25,246 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2004, was \$47,018 in the General Fund, \$3,056 in the Bond Retirement Fund, and \$6,416 in the Permanent Improvement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second – Half Collections</b>		<b>2005 First – Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$126,061,130	89.38%	\$130,931,610	90.57%
Public Utility Real	32,340	0.02	32,910	0.02
Tangible Personal Property	14,956,110	10.60	13,600,400	9.41
<b>Total</b>	<b>\$141,049,580</b>	<b>100.00%</b>	<b>\$144,564,920</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$45.38		\$48.38	

An increase of 3.00 mills is due to a new outside 10 mill limitation bonded debt levy. This is for school improvement bonds issued for \$9,999,992 on December 18, 2003.

**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.

**9. RECEIVABLES**

Receivables at June 30, 2005, consisted of property and income taxes, accounts (tuition, and student fees), intergovernmental grants, interfund, and accrued interest. All receivables are considered collectible in full and will be received within one year.

A summary of intergovernmental receivables follows:

	<b>Amounts</b>
Governmental Activities:	
School Extra-Curricular Fee	\$100
Miami Valley CTC Substitute Reimbursement	211
Miscellaneous Schools Student Tuition	12,589
Student Intervention	17,704
Title V	1,503
Drug Free Schools	1,828
Title II-A	9,472
Title II-D	953
<b>Total Intergovernmental Receivables</b>	<b>\$44,360</b>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<b>Governmental Activities</b>	<b>Balance 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/05</b>
Capital Assets, not Being Depreciated:				
Land	\$259,540	\$0	(\$12,358)	\$247,182
Construction in Progress	12,705,520	\$1,215,243	(13,920,763)	0
Total Capital Assets, not Being Depreciated	12,965,060	1,215,243	(13,933,121)	247,182
Capital Assets, Being Depreciated:				
Land Improvements	634,246	333,914	(71,232)	896,928
Buildings and Improvements	1,519,195	12,891,248	(179,248)	14,231,195
Furniture, Fixtures, and Equipment	1,493,821	811,692	(453,394)	1,852,119
Vehicles	1,204,320	0	0	1,204,320
Total Capital Assets, Being Depreciated	4,851,582	14,036,854	(703,874)	18,184,562
Less Accumulated Depreciation:				
Land Improvements	(278,638)	(38,102)	58,663	(258,077)
Buildings and Improvements	(725,681)	(298,383)	173,733	(850,331)
Furniture, Fixtures, and Equipment	(932,007)	(256,925)	361,085	(827,847)
Vehicles	(684,845)	(116,200)	0	(801,045)
Total Accumulated Depreciation	(2,621,171)	(709,610)	593,481	(2,737,300)
Capital Assets, Being Depreciated, Net	2,230,411	13,327,244	(110,393)	15,447,262
Governmental Activities Capital Assets, Net	<u>\$15,195,471</u>	<u>\$14,542,487</u>	<u>(\$14,043,514)</u>	<u>\$15,694,444</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$269,897
Special	30,083
Vocational	6,442
<b>Support Services:</b>	
Pupils	51,844
Instructional Staff	42,860
Board of Education	206
Administration	38,223
Fiscal	3,116
Business	10,409
Operation and Maintenance of Plant	60,987
Pupil Transportation	112,576
Operation of Non-Instructional Services	38,666
Extracurricular Activities	44,301
Total Depreciation Expense	<u>\$709,610</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**11. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Indiana Insurance Company for builder's risk insurance. Also, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 18). The School District contracts for property, fleet, inland marine coverage, crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

Coverage includes:

Building and Contents-replacement cost (\$5,000 deductible)	\$25,384,956
Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	250,000
Inland Marine Coverage (\$1,000 deductible)	1,545,624
Crime Insurance	25,000
Education General Liability:	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Defense Costs Each Occurrence	1,000,000
Defense Costs Aggregate Limit	2,000,000
Excess Liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Builder's Risk insurance of \$12,346,200 was eliminated due to completion of building project.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and 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 Health Systems, Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004 and 2003 were \$142,478, \$122,882, and \$117,948, respectively; 43.30 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

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

**B. State Teachers Retirement System of Ohio**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$569,372, \$555,487, and \$559,532, respectively; 83.45 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$663 made by the School District and \$4,449 made by the plan members.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, four members of the Board of Education have elected Social Security. The remaining Board member contributes to SERS. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$43,798 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 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 the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$65,349.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(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, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168% of next years projected health care costs. SERS has 58,123 participants currently eligible to receive 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 fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to sick leave bank. 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 to a maximum of 281 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 (classified staff only --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. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 18). The School District also provides dental insurance through CoreSource, and vision insurance through Vision Insurance Plan to all eligible employees.

**C. Deferred Compensation Plan**

School District employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**15. FUND OBLIGATIONS**

The School District's short-term debt activity, including amounts outstanding and interest rates follow:

	<b>Balance at 6/30/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 6/30/05</b>
School Improvement Bond Anticipation Note 2.15% - 2004	\$2,000,000		\$0 \$2,000,000	\$0
School Improvement Bond Anticipation Note 3.75% - 2005	0	2,000,000	0	2,000,000
Total	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>

On June 10, 2004, the School District issued a one-year \$2,000,000 School Improvement Bond Anticipation Note for the purpose of constructing the K-8 school building including equipment. This note will be repaid with property tax revenue from the General Fund. This note is backed by the full faith and credit of the School District. The note is reported in the Classroom Facilities Fund, the fund which had received the proceeds. On June 9, 2005, the School District issued a one-year \$2,000,000 School Improvement Bond Anticipation Note to pay off the fiscal year 2004 note.

**16. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<b>Amount Outstanding 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/05</b>	<b>Amounts Due Within One Year</b>
Governmental Activities					
School Improvement Serial Bonds 2002 2.85-5.125%	\$5,405,000	\$0	(\$295,000)	\$5,110,000	\$305,000
School Improvement Term Bonds 2002 2.85-5.125%	4,390,000	0	0	4,390,000	0
School Improvement Original Issue of Capital Appreciation Bonds 2002 4.56%	204,992	0	0	204,992	0
Accretion on Capital Appreciation Bonds	103,904	67,599	0	171,503	0
Total Long-Term Debt	<u>10,103,896</u>	<u>67,599</u>	<u>(295,000)</u>	<u>9,876,495</u>	<u>305,000</u>
Compensated Absences	823,387	131,212	(69,642)	884,957	119,933
Total Governmental Activities Long-Term Liabilities	<u>\$10,927,283</u>	<u>\$198,811</u>	<u>(\$364,642)</u>	<u>\$10,761,452</u>	<u>\$424,933</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

**School Improvement Bonds** - On June 1, 2002, Miami East Local School District issued \$9,999,992 in school improvement general obligation bonds. The bonds were issued for a 28-year period with final maturity during fiscal year 2030. The bonds will be retired from the Bond Retirement Fund with property tax revenues from a voted levy and transfers allocated from the General Fund. The bond is backed by the full faith and credit of the School District. In the event that a property owner fails to make payments, the School District will be required to pay the debt.

The term bonds maturing on December 1, 2025, will be subject to mandatory sinking fund redemption on December 1 as follows:

Year	Amount to be Redeemed
2023	\$540,000
2024	565,000

Unless otherwise called for redemption, the remaining \$595,000 principal amount of the bonds due December 1, 2025 is to be paid at stated maturity.

The School Improvement Bonds maturing on December 1, 2013, and thereafter are subject to optional redemption at the direction of the School District, in whole at any time or in part on any interest payment date, in any order as determined by the School District and by lot within a maturity, on or after June 1, 2012, which is 100% of the face value of the bonds.

If fewer than all of the outstanding bonds of a single maturity are called for redemption, the selection of the bonds to be redeemed, or portions thereof in amount of \$5,000 or any integral multiple thereof, will be made by lot. In the case of a partial redemption of bonds when bonds of denominations greater than \$5,000 are outstanding, each \$5,000 unit of face value of principal thereof will be treated as though it were a separate bond of the denomination of \$5,000. If one or more, but not all, of such \$5,000 units of face value represented by a bond are to be called for redemption, then upon notice of redemption of a \$5,000 unit or units, the registered holder of that bond will surrender the bond (a) for payment of the redemption price for the \$5,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the registered holder thereof, of a new bond or bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmaturing and unredeemed portion of, and bearing interest at the same rate and maturity on the same date as, the bond surrendered.

Bonds maturing in the fiscal years 2009 through 2013 were issued as capital appreciation bonds, which mature in the principal amounts on the dates and will bear interest compounded semiannually on June 1 and December 1 of each year beginning in 2003; at the compounding rates per year. The compounded interest on the capital appreciation bonds is reflected as an addition to the revenue bonds payable. The maturity amount of the capital appreciation bonds is \$1,750,000.

Compensated absences will be paid from the General Fund, the Food Service, and Title I funds.

The School District's overall legal debt margin was \$1,406,209 and the unvoted debt margin was \$144,565 at June 30, 2005.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**16. LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$305,000	\$455,383
2007	315,000	445,470
2008	325,000	434,603
2009	340,000	422,578
2010	61,793	698,035
2011-2015	493,199	3,305,938
2016-2020	2,010,000	1,785,197
2021-2025	2,570,000	1,236,063
2026-2030	3,285,000	521,237
Totals	<u>\$9,704,992</u>	<u>\$9,304,504</u>

**17. INTERFUND ASSETS/LIABILITIES AND TRANSFERS**

The General Fund had an interfund receivable at June 30, 2005, of \$26,292, while all other nonmajor funds had interfund payables of \$26,292. The balance is due to reimbursable expenses resulting from the time lag between the dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The General Fund had transfers out to the nonmajor funds of \$313,605. Nonmajor funds had transfers out to the General Fund in the amount of \$1,687. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. 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 to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. The School District paid MDECA \$59,432 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**Southwestern Ohio Educational Purchasing Council** -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council 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, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits 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 during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the School District paid \$6,539 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, 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 representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education 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 of local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$3,982 to SOITA for services provided during the fiscal year. 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.

**B. Insurance Purchasing Pools**

**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, a representative 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS  
(Continued)**

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP’s business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**Ohio School Plan** – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP’s business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schrett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schrett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**19. 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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Acquisition</b>
Set-aside Reserve Balance as of June 30, 2004	\$218,062	\$0
Current Fiscal Year Set-aside Requirement	185,196	185,196
Current Fiscal Year Offsets	0	(356,352)
Qualifying Disbursements	(156,835)	0
Totals	<u>\$246,423</u>	<u>(\$171,156)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$246,423</u>	<u>\$0</u>
Set-aside Reserve Balance at June 30, 2005	<u>\$246,423</u>	<u>\$0</u>

Although the School District had offsets for capital acquisitions during the fiscal 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 fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**20. CONTINGENCIES**

**A. Federal and State Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigations**

The School District County is party in legal proceedings. The School District is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**21. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2005, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/05</u>
Buehrer Group	\$719,928	\$719,428	\$500
Jason Sroufe Painting	7,300	5,300	2,000
Cardinal Bus Sales and Service	62,130	0	62,130
<b>Total</b>	<b>\$789,358</b>	<b>\$724,728</b>	<b>\$64,630</b>



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miami East Local School District, Miami County, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated February 7, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standard* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated February 7, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Education. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

February 7, 2006

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**FINDING FOR RECOVERY REPAID UNDER AUDIT**

The Miami East Local School District Board of Education transferred \$11,369.36, the balance of the Boak-Gilmer Music Scholarship fund, to the Miami East Education Foundation in June 2005.

Ohio Rev. Code, Section 3313.36 grants a board of education the power, by the adoption of a resolution to accept any bequest made to it. However, no such bequest may be accepted if conditions attached remove any portion of the public schools from the control of the board. Subsection (b) of this section also allows a board to direct the treasurer to pay the proceeds of any bequest/gift, etc. into an educational foundation fund created under Ohio Rev. Code, Section 3315.40. However, only bequests, gifts, or endowments given to the District for the educational foundation fund or given without conditions or limitations may be directed into the fund. The Boak-Gilmer Music Scholarship fund was created by a trust with conditions and limitations imposed by the donor, and as such, did not represent eligible funds for transfer by the Miami East Local School District to the Miami East Education Foundation. The District was unaware that trusts like the Boak-Gilmer Music Scholarship were not eligible to be placed with the foundation.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael R. Sommer, Treasurer, as fiscal officer of the Miami East Local School District, the Miami East Local School District Board of Education, and the Miami East Education Foundation, in the amount of \$11,659.36, and in favor of Miami East Local School District, in the amount of \$11,659.36.

When this matter was brought to their attention, the District Treasurer obtained the Boak-Gilmer Music Scholarship monies from the Miami East Education Foundation and deposited it back into District fund 008 on receipt number #61232 dated February 17, 2006.

**FINDING NUMBER 2005-002**

**REPORTABLE CONDITION**

**Accounting for Educational Foundation Activity**

The District transferred monies to the Miami East Education Foundation in care of the Troy Foundation and did not report the financial activity on the 2005 statements. The Uniform School Accounting System Users Manual, provides for the Education Foundation Fund (Fund 029) to account for the proceeds of any bequest, gift, or endowment given to the school district for the Education Foundation.

The main points of the accounting treatment when fund money is paid to a trust (the Miami East Education Foundation) are:

- The money with the trust is to be treated as an investment of the Fund.
- The money with the trust is to be treated as a reconciliation item on the monthly cash reconciliation.

**FINDING NUMBER 2005-002  
(Continued)**

- The trust agreement should provide for the trustee to provide the board of education with (at a minimum) a monthly financial report which will contain the trust beginning balance, additions to the trust from the board of education, investment earnings, expenses charged against the trust by the trustee, losses experienced by the trust during the period covered, and the ending balance of the trust for the period.
- The investment earnings reported by the trust should be credited to the Education Foundation Fund.
- The board of education should incorporate into the trust agreement provisions for receiving the result of each periodic audit of the trustee by an independent auditor.

All revenues received by the Education Foundation Fund and all expenditures from the Education Foundation Fund should be budgeted and/or appropriated as with any special revenue fund of the board of education. Payments to the trustee, for the costs of administering the trust, and if applicable the trustee's compensation when not paid from the trust income should be recorded as financial transactions of the Education Foundation Fund.

To comply with the Uniform School Accounting System and properly report all financial activity on the District's financial statements, monies transferred to the Miami East Education Foundation should be reported in Fund 029 and on the District's financial statements. The financial statements have been adjusted to correct the errors noted above.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MIAMI 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  
MARCH 21, 2006**