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**Miami East Local School District**  
**Miami County, Ohio**

Basic Financial Statements

June 30, 2009

(with Independent Auditors' Report)





Mary Taylor, CPA  
Auditor of State

Board of Education  
Miami East Local School District  
3825 North State Route 589  
Casstown, Ohio 45312

We have reviewed the *Independent Auditors' Report* of the Miami East Local School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 16, 2009

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Miami East Local School District  
3825 North State Route 589  
Casstown, Ohio 45312

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 (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position, and the respective 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 November 24, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Springfield, Ohio  
November 24, 2009

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**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

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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, 2009. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets increased \$12,126,613 from fiscal year 2008, the result of two new debt issues.
- Unrestricted net assets, which are the resources that fund daily activities, decreased by \$364,689 or 26 percent.
- The School District began a high school building project during fiscal year 2009 with the Ohio School Facilities Commission. The revenue and debt associated with this project caused large fluctuations in assets, liabilities, net assets, and revenues.
- Income tax revenue decreased \$327,696 or 17 percent from fiscal year 2008 due to the economic downturn.

**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 the 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 nonmajor funds presented in total in one column.



**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

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**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 fiscal year 2009?" 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 7. 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, the Bond Retirement Fund, the Permanent Improvement Fund, the Building Fund, and the Classroom Facilities Fund.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

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*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.

*Fiduciary Funds*

The School District has two private purpose trust funds and two agency funds. All of the School District's fiduciary activities are reported in separate statements, the statement of fiduciary net assets and the statement of changes in fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The 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 fiscal year 2009 compared to fiscal year 2008:

**Miami East Local School District**  
**Management's Discussion and Analysis**  
**For The Fiscal Year Ended June 30, 2009**

Table 1  
Net Assets

	2009	2008	Change
<b>Assets:</b>			
Current and Other Assets	\$32,746,381	\$6,805,734	\$25,940,647
Capital Assets, Net	14,584,113	14,514,221	69,892
Total Assets	<u>47,330,494</u>	<u>21,319,955</u>	<u>26,010,539</u>
<b>Liabilities:</b>			
Other Liabilities	12,615,548	5,199,450	7,416,098
Long-Term Liabilities	18,929,469	12,461,641	6,467,828
Total Liabilities	<u>31,545,017</u>	<u>17,661,091</u>	<u>13,883,926</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	4,080,883	3,770,159	310,724
Restricted	13,471,531	1,290,953	12,180,578
Unrestricted (Deficit)	(1,766,937)	(1,402,248)	(364,689)
Total Net Assets	<u>\$15,785,477</u>	<u>\$3,658,864</u>	<u>\$12,126,613</u>

Total assets of governmental activities increased by \$26,010,539, with current assets increasing by \$25,940,647. The increase is due to the Ohio School Facilities Commission project for a new high school building. During fiscal year 2009, the School District issued \$6,575,000 of short-term bond anticipation notes to begin the project as well as \$6,574,997 of long-term bonds to pay the bond anticipation notes. The payment of the bond anticipation notes did not occur until fiscal year 2010, therefore the School District had cash and cash equivalents associated with both debt issues at year-end. Also, the School District is set to receive \$12,011,977 from the State for this project, and as of June 30, 2009, \$10,656,377 is a receivable.

The increase of \$13,883,926 of liabilities can also be attributed to the high school project as both debt issues are outstanding as of June 30, 2009. Also, the School District had contracts payable related to the high school project.

The increase in invested in capital assets, net of related debt was caused by the debt payment and the newly purchased capital assets being greater than depreciation expense. The increase in restricted net assets is due to the requirement to record unspent debt proceeds as restricted until they are spent and recorded as invested in capital assets net of related debt.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements. The decrease was due to lower income tax revenues due to a slow economy coupled with increases in salaries and benefits.

Table 2 shows the changes in net assets for the fiscal years ended 2009 and 2008.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

Table 2  
Changes in Net Assets

	2009	2008	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$969,058	\$1,022,593	(\$53,535)
Operating Grants, Interest, and Contributions	797,932	863,938	(66,006)
Capital Grants, Interest, and Contributions	39,934	43,307	(3,373)
Total Program Revenues	<u>1,806,924</u>	<u>1,929,838</u>	<u>(122,914)</u>
General Revenues:			
Property Taxes	4,530,715	4,038,417	492,298
Income Taxes	1,587,108	1,914,804	(327,696)
Grants and Entitlements not Restricted to Specific Programs	17,341,879	5,261,671	12,080,208
Investment Earnings	67,890	64,959	2,931
Gifts and Donations	16,161	23,749	(7,588)
Miscellaneous	57,940	55,442	2,498
Total General Revenues	<u>23,601,693</u>	<u>11,359,042</u>	<u>12,242,651</u>
Total Revenues	<u>25,408,617</u>	<u>13,288,880</u>	<u>12,119,737</u>
<b>Program Expenses:</b>			
Instruction:			
Regular	5,971,103	5,618,858	352,245
Special	1,008,567	946,002	62,565
Vocational	117,996	134,377	(16,381)
Student Intervention Services	16,874	13,661	3,213
Support Services:			
Pupils	620,397	699,831	(79,434)
Instructional Staff	302,912	305,238	(2,326)
Board of Education	77,094	76,344	750
Administration	892,248	872,524	19,724
Fiscal	368,333	367,336	997
Business	59,185	57,137	2,048
Operation and Maintenance of Plant	1,039,236	1,074,787	(35,551)
Pupil Transportation	861,877	817,090	44,787
Central	277,478	210,309	67,169
Operation of Non-Instructional Services	430,437	468,573	(38,136)
Extracurricular Activities	432,438	446,304	(13,866)
Interest and Fiscal Charges	805,829	629,743	176,086
Total Expenses	<u>13,282,004</u>	<u>12,738,114</u>	<u>\$543,890</u>
Change in Net Assets	12,126,613	550,766	
Net Assets at Beginning of Year	<u>3,658,864</u>	<u>3,108,098</u>	
Net Assets at End of Year	<u>\$15,785,477</u>	<u>\$3,658,864</u>	

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

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Overall revenues increased by \$12,119,737 from fiscal year 2008. Individually, property taxes increased \$492,298, income taxes decreased \$327,696, and grants and entitlements not restricted to specific programs increased \$12,080,208. The decrease in income tax can be attributed to the downturn in the current economy. The increase in property taxes and grants and entitlements is directly the result of the high school building project. The School District began collecting additional property tax revenues to pay the bonds and for the required maintenance of the new building project. The increase in grants and entitlements is due to the requirement to record the entire amount of the Ohio School Facilities Commission revenue in the year the grant is awarded.

Overall, expenses increased \$543,890 over fiscal year 2008. The main reason for the increase was due to an increase in salaries and benefits for pay raises and insurance premium increases. Also, there was an increase in interest and fiscal charges associated with the new bond anticipation notes and bonds issues. Overall, the School District held expenses to a modest increase by carefully monitoring budgets during the fiscal year, with an increase of four percent.

**The School District's Funds**

The School District's major funds consist of the General, Bond Retirement, Permanent Improvement, Building and Classroom Facilities Funds. These funds are accounted for using the modified accrual basis of accounting. The major funds account for 93 percent of total revenues and 89 percent of total expenditures. In total, fund balances increased \$7,852,238.

The General Fund had a decrease of \$105,054 from fiscal year 2008. This can be attributed to a decrease in income tax revenue due to a bad economy, and an increase in expenditures to do the required pay increases for employees, as well as an increase in employee benefits.

An increase of \$6,793,791 was recognized in the Bond Retirement Fund. This was due to the issuance of bonds during fiscal year 2009. These bonds were issued to retire the bond anticipation note, but the payoff of the notes was not made until fiscal year 2010, leaving the \$6,574,997 of bond proceeds in the fund balance as of June 30, 2009.

The Permanent Improvement Fund was established to accumulate resources through property tax revenue for the purchase of capital assets as needed. Fund balance increased \$36,524 during fiscal year 2009.

The Building Fund was established during fiscal year 2009 to account for the high school building project. The School District issued \$6,575,000 of bond anticipation notes during the fiscal year and deposited \$2,981,812 of these notes in this fund. The fiscal year-end fund balance was (\$59,555).

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

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The Classroom Facilities Fund was established to account for the Ohio School Facilities Commission revenue for the high school building project. The remaining \$3,593,188 of the bond anticipation notes as well as the first two payments from the State were accounted for in this fund. The fund balance at June 30, 2009 was \$1,134,056.

**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 fiscal year 2009, the School District amended its General Fund budget, which resulted in appropriations increasing \$92,798. The School District amended appropriations at the end of the fiscal year that matched actual expenditures.

For the General Fund, the budget basis revenue differed from the original budgeted estimates of \$10,471,404 by \$557,529 to \$11,028,933. The majority of this was in intergovernmental revenue as the School District received more State foundation money than anticipated. 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 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.

**Capital Assets**

Table 3 shows fiscal year 2009 balances compared to fiscal year 2008.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

Table 3  
Capital Assets (Net of Depreciation) at June 30,

	2009	2008	Change
Land	\$303,182	\$247,182	\$56,000
Construction in Progress	312,314	0	312,314
Land Improvements	739,613	776,578	(36,965)
Buildings and Improvements	12,233,799	12,533,113	(299,314)
Furniture, Fixtures and Equipment	657,021	650,136	6,885
Vehicles	338,184	307,212	30,972
<b>Totals</b>	<b>\$14,584,113</b>	<b>\$14,514,221</b>	<b>\$69,892</b>

Capital asset additions included land, construction in progress from the high school building project, various equipment and busses. Additions offset depreciation expense and disposals for a net increase of \$69,892. For more information on capital assets, refer to Note 9 of the basic financial statements.

**Debt Administration**

During the fiscal year, the School District issued \$6,575,000 of short-term bond anticipation notes to begin construction of a new high school, and \$6,574,997 of long-term bonds that will be used to pay off the notes. The notes were not paid off until fiscal year 2010, therefore both issues remain outstanding as of June 30, 2009. Total long-term obligations, consisting of general obligation bonds, are \$17,849,500, and short-term obligations consisting of bond anticipation notes, are \$6,575,000 at June 30, 2009. See notes 14 and 15 of the basic financial statements.

**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.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2009

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The School District is feeling the effects of the elimination of the tangible personal property tax, although the full impact of the lost revenues won't be felt until the State reimbursements stop. Along with the decline in the tangible personal property tax revenues, the School District is experiencing a minimal declining enrollment. These two factors along with State budget cuts contributed to a relatively stagnate growth rate in revenue from fiscal year 2008 to fiscal year 2009. 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.

With the passage of the Amended House Bill 1, the State's Biennial Budget Bill, in June 2009, the School District is being affected by the decrease in State Foundation funding. The Budget Bill is decreasing the state foundation funding by one percent in fiscal year 2010 and an additional two percent in fiscal year 2011 for the School District. The School District is also feeling the effects of the economic downturn through the loss of income tax revenue. In fiscal year 2010, the School District is anticipating a loss of over \$500,000 in income tax revenue due to the economy and local unemployment rates hitting near record highs. The economic downturn has reversed the increases of the past two years and the School District's administration and Board of Education will be watching the financial situation very closely. Voters passed an additional half of a percent income tax levy which was assessed on the income of residents and of estates beginning in fiscal year 2007. The new levy was anticipated to generate additional revenue of approximately \$825,000 per year. The additional tax was effective on January 1, 2007 and is a continuing tax. The collection of the additional income tax was being heavily relied on to provide financial stability to the School District for years to come. The economic downturn has required the School District to take a second look at its financial situation. A reduction in property tax revenues are anticipated due to the elimination of the taxation on tangible personal property as well as a possible general decline in the property tax base of the School District due to economical pressures on the real estate market.

The Miami East Local School District was recognized for academic achievement for 2007-2008 and 2008-2009 by being designated as a "School District of Excellence with Distinction" by the Ohio Department of Education for scoring 30 out of 30 on the Local Report Card indicators in 2007-2008 and 28 out of 30 in 2008-2009, and achieving Annual Yearly Progress (AYP).

**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).



**Mami East Local School District**

Statement of Net Assets

June 20, 2009

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$16,510,104
Cash and Cash Equivalents with Fiscal Agent	56,568
Accrued Interest Receivable	14,232
Intergovernmental Receivable	10,667,354
Accounts Receivable	16,544
Prepaid Items	2,719
Materials and Supplies Inventory	37,760
Income Taxes Receivable	647,488
Property Taxes Receivable	4,641,275
Deferred Charges	152,337
Nondepreciable Capital Assets	615,496
Depreciable Capital Assets, Net	13,968,617
<b>Total Assets</b>	<b>47,330,494</b>
<b>Liabilities:</b>	
Accounts Payable	74,165
Accrued Wages and Benefits Payable	922,369
Contracts Payable	182,032
Matured Compensated Absences Payable	1,800
Accrued Interest Payable	184,742
Notes Payable	6,575,000
Intergovernmental Payable	307,002
Unearned Revenue	4,368,438
Long-Term Liabilities:	
Due Within One Year	592,016
Due in More Than One Year	18,337,453
<b>Total Liabilities</b>	<b>31,545,017</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	4,080,883
Restricted for:	
Debt Service	458,101
Capital Outlay	12,557,038
Food Service	44,756
Miami East Foundation	61,755
Classroom Facilities Maintenance	57,745
Other Purposes	82,448
Set-Asides	209,688
Unrestricted (Deficit)	(1,766,937)
<b>Total Net Assets</b>	<b>\$15,785,477</b>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School Distric**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$5,971,103	\$546,700	\$38,338	\$0	(\$5,386,065)
Special	1,008,567	0	478,199	0	(530,368)
Vocational	117,996	0	35,282	0	(82,714)
Student Intervention Services	16,874	0	0	0	(16,874)
Support Services:					
Pupils	620,397	13,094	105,774	0	(501,529)
Instructional Staff	302,912	180	10,662	0	(292,070)
Board of Education	77,094	0	0	0	(77,094)
Administration	892,248	1,559	310	0	(890,379)
Fiscal	368,333	0	7,555	0	(360,778)
Business	59,185	0	0	0	(59,185)
Operation and Maintenance of Plant	1,039,236	0	0	0	(1,039,236)
Pupil Transportation	861,877	5,042	633	39,934	(816,268)
Central	277,478	485	25,898	0	(251,095)
Operation of Non-Instructional Services	430,437	301,950	92,450	0	(36,037)
Extracurricular Activities	432,438	100,048	2,831	0	(329,559)
Interest and Fiscal Charges	805,829	0	0	0	(805,829)
<b>Total Governmental Activities</b>	<b>\$13,282,004</b>	<b>\$969,058</b>	<b>\$797,932</b>	<b>\$39,934</b>	<b>(11,475,080)</b>
<b>General Revenues:</b>					
Property Taxes, Levied for:					
					3,154,537
					43,981
					366,461
					965,736
					1,587,108
					17,341,879
					67,890
					16,161
					57,940
					<u>23,601,693</u>
					Change in Net Assets 12,126,613
					Net Assets at Beginning of Year 3,658,864
					<u>Net Assets at End of Year \$15,785,477</u>

See Accompanying Notes to the Basic Financial Statements

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**Miami East Local School District**  
Balance Sheet  
Governmental Funds  
June 30, 2009

	General	Bond Retirement	Permanent Improvement	Building
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$475,349	\$7,131,451	\$499,551	\$2,990,406
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Receivables:				
Property Taxes	3,114,728	1,092,996	363,279	0
Income Taxes	647,488	0	0	0
Accounts	9,671	0	0	0
Intergovernmental	7,108	0	0	0
Accrued Interest	2,720	3,140	0	3,791
Materials and Supplies Inventory	34,038	0	0	0
Prepaid Items	2,719	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	222,818	0	0	0
<b>Total Assets</b>	<b>\$4,516,639</b>	<b>\$8,227,587</b>	<b>\$862,830</b>	<b>\$2,994,197</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$61,958	\$0	\$765	\$0
Accrued Wages and Benefits Payable	868,934	0	0	0
Contracts Payable	0	0	20,000	25,600
Intergovernmental Payable	285,636	0	0	0
Accrued Interest Payable	0	0	0	44,340
Deferred Revenue	3,076,114	1,044,420	347,975	2,000
Matured Compensated Absences Payable	1,800	0	0	0
Notes Payable	0	0	0	2,981,812
<b>Total Liabilities</b>	<b>4,294,442</b>	<b>1,044,420</b>	<b>368,740</b>	<b>3,053,752</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	177,964	6,683,031	55,392	262,155
Reserved for Property Taxes	130,230	48,576	15,304	0
Reserved for Textbooks and Instructional Materials	209,688	0	0	0
Reserved for Bus Purchases	13,130	0	0	0
Unreserved, Undesignated (Deficit) Reported in:				
General Fund	(308,815)	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	451,560	0	0
Capital Projects Funds	0	0	423,394	(321,710)
<b>Total Fund Balances (Deficit)</b>	<b>222,197</b>	<b>7,183,167</b>	<b>494,090</b>	<b>(59,555)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,516,639</b>	<b>\$8,227,587</b>	<b>\$862,830</b>	<b>\$2,994,197</b>

See Accompanying Notes to the Basic Financial Statements

Classroom Facilities	Other Governmental Funds	Total Governmental Funds
\$4,915,706	\$274,823	\$16,287,286
0	56,568	56,568
0	70,272	4,641,275
0	0	647,488
0	6,873	16,544
10,656,377	3,869	10,667,354
4,581	0	14,232
0	3,722	37,760
0	0	2,719
0	0	222,818
<u>\$15,576,664</u>	<u>\$416,127</u>	<u>\$32,594,044</u>

\$0	\$11,442	\$74,165
0	53,435	922,369
136,432	0	182,032
0	21,366	307,002
54,194	0	98,534
10,658,794	74,530	15,203,833
0	0	1,800
3,593,188	0	6,575,000
<u>14,442,608</u>	<u>160,773</u>	<u>23,364,735</u>

1,442,833	8,869	8,630,244
0	3,250	197,360
0	0	209,688
0	0	13,130
0	0	(308,815)
0	243,235	243,235
0	0	451,560
(308,777)	0	(207,093)
<u>1,134,056</u>	<u>255,354</u>	<u>9,229,309</u>
<u>\$15,576,664</u>	<u>\$416,127</u>	<u>\$32,594,044</u>

**Miami East Local School District**  
 Reconciliation of Total Governmental Fund Balances  
 To Net Assets of Governmental Activities  
 June 30, 2009

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**Total Governmental Fund Balances** \$9,229,309

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

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

Land	303,182	
Construction In Progress	312,314	
Land Improvements	1,132,919	
Buildings and Improvements	14,279,150	
Furniture, Fixtures and Equipment	2,024,959	
Vehicles	1,351,125	
Accumulated Depreciation	<u>(4,819,536)</u>	14,584,113

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 Receivable	81,360	
Income Taxes Receivable	81,814	
Accrued Interest Receivable	344	
Accounts Receivable	11,631	
Intergovernmental Receivable	<u>10,660,246</u>	10,835,395

Governmental funds report bond issuance costs as expenditures whereas these amounts are deferred and amortized in the statement of activities 152,337

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due (86,208)

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

These liabilities consist of:

Accretion of Capital Appreciation Bonds	(847,569)	
Bonds Payable	(16,724,987)	
Unamortized Loss	327,411	
Premium on Debt Issued	(604,355)	
Compensated Absences	<u>(1,079,969)</u>	
Total Liabilities		<u>(18,929,469)</u>

Net Assets of Governmental Activities \$15,785,477

See Accompanying Notes to the Basic Financial Statements

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**Miami East Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Permanent Improvement	Building
<b>Revenues:</b>				
Property Taxes	\$3,126,433	\$951,650	\$362,802	\$0
Income Taxes	1,644,494	0	0	0
Intergovernmental	5,453,000	141,166	67,145	0
Investment Earnings	26,183	7,555	6,351	18,580
Tuition and Fees	499,218	0	0	0
Extracurricular Activities	2,040	0	0	0
Customer Sales and Services	537	0	0	0
Rent	3,663	0	0	0
Gifts and Donations	2,887	0	15,163	0
Miscellaneous	16,611	0	8,625	0
<b>Total Revenues</b>	<b>10,775,066</b>	<b>1,100,371</b>	<b>460,086</b>	<b>18,580</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,661,889	0	2,691	0
Special	554,328	0	0	0
Vocational	111,988	0	0	0
Student Intervention Services	16,874	0	0	0
Support Services:				
Pupils	286,654	0	1,534	0
Instructional Staff	245,320	0	2,695	0
Board of Education	77,094	0	0	0
Administration	846,861	1	23,013	0
Fiscal	324,373	14,503	5,806	0
Business	55,169	0	0	0
Operation and Maintenance of Plant	924,247	0	76,027	0
Pupil Transportation	764,870	0	137,551	0
Central	227,571	0	73,792	0
Operation of Non-Instructional Services	467	0	5,989	0
Extracurricular Activities	296,833	0	0	0
Capital Outlay	11,140	0	141,763	33,795
Debt Service:				
Principal Retirement	0	470,000	0	0
Interest and Fiscal Charges	0	403,285	0	44,340
Issuance Costs	0	77,954	0	0
<b>Total Expenditures</b>	<b>10,405,678</b>	<b>965,743</b>	<b>470,861</b>	<b>78,135</b>
Excess of Revenues Over (Under) Expenditures	369,388	134,628	(10,775)	(59,555)
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	0	0
General Obligation Bonds Issued	0	6,574,997	0	0
Premium on Bonds and Notes Issued	0	84,166	0	0
Insurance Recoveries	0	0	47,299	0
Transfers Out	(474,442)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(474,442)</b>	<b>6,659,163</b>	<b>47,299</b>	<b>0</b>
Net Change in Fund Balances	(105,054)	6,793,791	36,524	(59,555)
Fund Balances at Beginning of Year	327,251	389,376	457,566	0
Fund Balances (Deficit) at End of Year	\$222,197	\$7,183,167	\$494,090	(\$59,555)

See Accompanying Notes to the Basic Financial Statements



Classroom Facilities	Other Governmental Funds	Total Governmental Funds
\$0	\$42,655	\$4,483,540
0	0	1,644,494
1,355,600	463,209	7,480,120
22,903	2,574	84,146
0	36,878	536,096
0	126,824	128,864
0	296,473	297,010
0	0	3,663
0	23,910	41,960
0	32,704	57,940
<u>1,378,503</u>	<u>1,025,227</u>	<u>14,757,833</u>
0	112,200	5,776,780
0	429,623	983,951
0	560	112,548
0	0	16,874
0	280,829	569,017
0	38,199	286,214
0	0	77,094
0	3,687	873,562
0	20,139	364,821
0	0	55,169
0	11,491	1,011,765
0	26,025	928,446
0	25,189	326,552
0	396,597	403,053
0	93,182	390,015
190,253	9,472	386,423
0	0	470,000
54,194	0	501,819
0	0	77,954
<u>244,447</u>	<u>1,447,193</u>	<u>13,612,057</u>
<u>1,134,056</u>	<u>(421,966)</u>	<u>1,145,776</u>
0	474,442	474,442
0	0	6,574,997
0	0	84,166
0	0	47,299
0	0	(474,442)
<u>0</u>	<u>474,442</u>	<u>6,706,462</u>
1,134,056	52,476	7,852,238
0	202,878	1,377,071
<u>\$1,134,056</u>	<u>\$255,354</u>	<u>\$9,229,309</u>

**Miami East Local School District**  
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, 2009

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**Net Change in Fund Balances - Total Governmental Funds** \$7,852,238

*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	682,522	
Current Year Depreciation Expense	(560,942)	
		121,580

The proceeds from insurance recoveries of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the statement of net assets and offset against the proceeds resulting in a loss on the sale of capital assets in the statement of activities.

Insurance Recoveries of Capital Assets	(47,299)	
Loss on Disposal of Capital Assets	(4,389)	
		(51,688)

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:

Property Taxes	47,175	
Income Taxes	(57,386)	
Intergovernmental Grants	10,658,206	
Tuition and Fees	(94)	
Extracurricular Activities	(77)	
Customer Sales and Services	3,596	
Investment Earnings	(636)	
		10,650,784

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.

General Obligation Bonds		470,000
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Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities

77,954

In the statement of activities, interest accrued on outstanding bonds and bond accretion, bond premium, and bond issuance costs are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued:

Increase in Accrued Interest Payable	(52,416)	
Accretion of Capital Appreciation Bonds	(257,271)	
Amortization of Bond Issuance Costs	(4,011)	
Amortization of Loss	(15,591)	
Amortization of Bond Premium	25,279	
		(304,010)

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:

General Obligation Bonds Issued	(6,574,997)	
Premium on Bonds Issued	(84,166)	
Increase in Compensated Absences	(31,082)	
		(6,690,245)

Change in Net Assets of Governmental Activities		<u>\$12,126,613</u>
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See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$3,018,658	\$3,116,619	\$3,116,619	\$0
Income Taxes	1,799,538	1,913,522	1,913,522	0
Intergovernmental	5,137,631	5,447,103	5,447,103	0
Investment Earnings	27,907	29,675	29,675	0
Tuition and Fees	469,960	499,728	499,728	0
Extracurricular Activities	1,978	2,103	2,103	0
Rent	3,445	3,663	3,663	0
Gifts and Donations	2,715	2,887	2,887	0
Miscellaneous	12,807	13,633	13,633	0
Total Revenues	<u>10,474,639</u>	<u>11,028,933</u>	<u>11,028,933</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,536,540	5,640,431	5,640,431	0
Special	583,544	576,004	576,004	0
Vocational	43,041	112,063	112,063	0
Student Intervention Services	0	15,414	15,414	0
Support Services:				
Pupils	282,831	287,449	287,449	0
Instructional Staff	247,474	252,030	252,030	0
Board of Education	76,586	78,174	78,174	0
Administration	862,578	867,480	867,480	0
Fiscal	322,368	327,468	327,468	0
Business	77,542	66,009	66,009	0
Operation and Maintenance of Plant	1,090,960	1,023,217	1,023,217	0
Pupil Transportation	849,123	813,082	813,082	0
Central	222,691	225,319	225,319	0
Operation of Non-Instructional Services	655	567	567	0
Extracurricular Activities	293,798	297,629	297,629	0
Capital Outlay	10,947	11,140	11,140	0
Total Expenditures	<u>10,500,678</u>	<u>10,593,476</u>	<u>10,593,476</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(26,039)</u>	<u>435,457</u>	<u>435,457</u>	<u>0</u>
<b>Other Financing Sources and Uses:</b>				
Refund of Prior Year Expenditure	0	3,599	3,599	0
Transfers In	195,000	0	0	0
Transfers Out	(659,084)	(474,442)	(474,442)	0
Advances In	0	3,216	3,216	0
Total Other Financing Sources (Uses)	<u>(464,084)</u>	<u>(467,627)</u>	<u>(467,627)</u>	<u>0</u>
Net Change in Fund Balance	(490,123)	(32,170)	(32,170)	0
Fund Balance at Beginning of Year	285,265	285,265	285,265	0
Prior Year Encumbrances Appropriated	204,858	204,858	204,858	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$457,953</u>	<u>\$457,953</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

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	Private Purpose Trust	Agency Fund
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$21,653	\$76,729
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable	0	1,378
Undistributed Monies	0	4,576
Due to Students	0	70,775
Total Liabilities	0	\$76,729
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$21,653	

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2009

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	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Investment Earnings	\$276
<b>Deductions:</b>	
	<u>0</u>
Change in Net Assets	276
Net Assets at Beginning of Year	<u>21,377</u>
Net Assets at End of Year	<u><u>\$21,653</u></u>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 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.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 17 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

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(continued)

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan  
Trust

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Miami East Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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.

*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 considered business-type. The School District, however, has no business-type activities.

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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*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 rather than reporting by type. 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.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. 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.

*Governmental Funds:*

Governmental funds are those through which most governmental functions of the School District 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 grants intended to offset tax exemptions to be used for the payment of general obligation bonded debt.

*Permanent Improvement Fund* – The Permanent Improvement Capital Projects Fund accounts for property tax revenues and State grants intended to offset tax exemptions collected for the purchase of capital assets.

*Building Fund* – The Building Capital Projects Fund accounts for the receipts and expenditures for the School District's Locally Funded Initiative in connection with the contracts entered into by the School District and the Ohio School Facilities Commission.



**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Classroom Facilities Fund* – The Classroom Facilities Capital Projects Fund accounts for receipts and expenditures for the Ohio School Facilities shared-funding approved high school building project.

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 activity related to the Section 125 benefit plan for employees.

**C. Measurement Focus**

*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.

*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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The private purpose trust funds are reported using the economic resources measurement focus.

**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 and the financial statements of the fiduciary funds are prepared using 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.

*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. “Measurable” means that the amount of the transaction can be determined, and “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 6). 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.

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, student fees, grants, and interest.

*Deferred Revenue:*

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

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures:*

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

The 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 cost, 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 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” on the financial statements.

The balance of grants administered and held by a fiscal agent is presented on the balance sheet as “Cash and Cash Equivalents with Fiscal Agent” and represents deposits on hand with the Miami County Educational Service Center.

During fiscal year 2009, the School District invested in STAROhio (State Treasury Asset Reserve of Ohio), Federal National Mortgage Association Bonds, Fifth Third Institutional Money Market Mutual Fund, and negotiable certificates of deposit.

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, 2009.

Following Ohio Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2009 amounted to \$26,183, which includes \$6,692 assigned from other School District funds.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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 and cash equivalents.

**F. 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.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

**H. 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 law through constitutional provisions or 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 instructional materials and resources restricted for the purchase of buses.

**I. 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 \$750. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

<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

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

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

In general, governmental fund 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 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. Bonds are recognized as a liability on the fund financial statements when due.

**K. Compensated Absences**

Vacation, compensatory time, and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation, 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**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**L. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds**

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest during the year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds and are reported as deferred charges.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

**M. Loss on Advance Refunding**

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain/loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This amount is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

**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 amounts for music and athletic programs, and federal and State grants whose use is restricted to 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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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, textbooks and instructional materials 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. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

**Q. 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 Entry Year Teacher Grants Special Revenue Fund's grant activity that is administered by a fiscal agent is not budgeted by the School District. The major documents prepared are the tax budget, 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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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, including all supplemental appropriations. Prior to fiscal year-end, the School District approved amended appropriations which matched appropriations to expenditures plus encumbrances at fiscal year-end.

**R. 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.

**NOTE 3 – ACCOUNTABILITY**

The Building, Title I and Title II-A Funds had deficit fund balances at June 30, 2009, of \$59,555, \$536, and \$277, respectively. The deficit in the Building Fund is due to liabilities for notes payable being reported as a fund liability and will be alleviated when the notes are paid. The deficits in the Title I and Title II-A Funds are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for the deficits and provides operating transfers when cash is required, not when accruals occur.



**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 4 – 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 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).
5. Investments are recorded at fair value (GAAP) rather than cost (budget).

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

<u>Net Change in Fund Balances</u>	
	<u>General</u>
GAAP Basis	(\$105,054)
Net Adjustment for Revenue Accruals	257,466
Net Adjustment for Expenditure Accruals	52,400
Advances	3,216
Change in Fair Value of Investments	8
Adjustment for Encumbrances	(240,206)
Budget Basis	<u><u>(\$32,170)</u></u>

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 5 – 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 may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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;
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);

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 5 – DEPOSITS AND INVESTMENTS** *(continued)*

7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

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.

**Investments**

As of June 30, 2009, the School District had the following investments.

	Fair Value	Investment Maturities (in Years)			S&P Rating	Percent of Total Investments
		Less than 1	1 - 2	2 - 4		
STAROhio	\$3,149,026	3,149,026	\$0	\$0	AAAm	19.28%
Federal National Mortgage Association Bonds	1,548,285	512,970	0	1,035,315	AAA	9.48%
Fifth Third Institutional Money Market Mutual Fund	7,226,748	7,226,748	0	0	AAA	44.24%
Negotiable Certificates of Deposit	4,412,056	2,695,688	1,716,368	0	----	27.00%
<b>Totals</b>	<b>\$16,336,115</b>	<b>\$13,584,432</b>	<b>\$1,716,368</b>	<b>\$1,035,315</b>		

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 5 – DEPOSITS AND INVESTMENTS** *(continued)*

*Interest Rate Risk:*

The School District's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk:*

The S&P ratings of the School District's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

*Concentration of Credit Risk:*

The School District places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The percentage that each investment represents of the total investments is listed in the table above.

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 6 – PROPERTY TAXES** *(continued)*

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected in calendar year 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. 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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was 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 reflected 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, 2009, was \$130,230 in the General Fund, \$48,576 in the Bond Retirement Fund, \$15,304 in the Permanent Improvement Fund, and \$3,250 in the Classroom Facilities Maintenance Fund. The amount available as an advance at June 30, 2008, was \$120,416 in the General Fund, \$30,104 in the Bond Retirement Fund, and \$14,135 in the Permanent Improvement Fund.

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

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 6 – PROPERTY TAXES** *(continued)*

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second-Half Collections		2009 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$157,732,710	94.00%	\$161,644,730	95.78%
Public Utility Personal	38,590	0.02%	7,118,230	4.22%
General Business Personal	10,029,700	5.98%	0	0.00%
Total Assessed Value	<u>\$167,801,000</u>	<u>100.00%</u>	<u>\$168,762,960</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.08		\$52.04	

The increase in the tax rate from 2008 second-half collections to 2009 first-half collections is due to collections beginning during fiscal year 2009 for the tax year 2008 levies for general obligation bonds and classroom facilities maintenance.

**NOTE 7 – INCOME TAX**

On January 1, 1992 the School District levied a one-half percent income tax and on January 1, 2007 the School District levied an additional one-half percent for a total income tax of one percent. 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.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2009, consisted of property taxes, income taxes, accounts (tuition and student fees), intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and the Ohio School Facilities Commission Grant, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The Ohio School Facilities Grant will be collected over the life of the new construction.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 8 – RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Battelle for Kids Reimbursement	\$1,750
State of Ohio Refund	704
E-Rate Reimbursement	4,134
Ohio School Facilities Commission Grant	10,656,377
Title VI-A, Drug Free Schools	3,869
Miami Valley Career Technology Center	520
Total	\$10,667,354

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance At 6/30/2008	Additions	Deletions	Balance At 6/30/2009
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$247,182	\$56,000	\$0	\$303,182
Construction in Progress	0	312,314	0	312,314
Total Capital Assets, Not Being Depreciated	247,182	368,314	0	615,496
Depreciable Capital Assets:				
Land Improvements	1,124,644	8,275	0	1,132,919
Buildings and Improvements	14,278,353	797	0	14,279,150
Furniture, Fixtures and Equipment	1,913,363	129,621	(18,025)	2,024,959
Vehicles	1,310,197	175,515	(134,587)	1,351,125
Total Depreciable Capital Assets	18,626,557	314,208	(152,612)	18,788,153
Less Accumulated Depreciation:				
Land Improvements	(348,066)	(45,240)	0	(393,306)
Buildings and Improvements	(1,745,240)	(300,111)	0	(2,045,351)
Furniture, Fixtures and Equipment	(1,263,227)	(118,609)	13,898	(1,367,938)
Vehicles	(1,002,985)	(96,982)	87,026	(1,012,941)
Total Accumulated Depreciation	(4,359,518)	(560,942) *	100,924	(4,819,536)
Depreciable Capital Assets, Net	14,267,039	(246,734)	(51,688)	13,968,617
Governmental Activities Capital Assets, Net	\$14,514,221	\$121,580	(\$51,688)	\$14,584,113

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 9 – CAPITAL ASSETS** *(continued)*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$179,073
Special	23,009
Vocational	3,020
Support Services:	
Pupils	48,797
Instructional Staff	20,646
Administration	29,200
Fiscal	715
Business	4,016
Operation and Maintenance of Plant	61,365
Pupil Transportation	94,332
Central	7,342
Operation of Non-Instructional Services	38,519
Extracurricular Activities	50,908
Total Depreciation Expense	<u><u>\$560,942</u></u>

**NOTE 10 – 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. The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an 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 Hylant Administrative Services, LLC (See Note 17). 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 the OSP.



**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 10 – RISK MANAGEMENT** *(continued)*

Coverage includes:	
Building and Contents-replacement cost (\$5,000 deductible)	\$30,232,995
Automobile Liability (no deductible)	2,000,000
Uninsured/Underinsured Motorists (no deductible)	250,000
Crime Insurance (\$1,000 deductible)	25,000
Education General Liability:	
Each Occurrence	2,000,000
Personal and Advertising Injury Limit-Each Offense	2,000,000
General Aggregate Limit	4,000,000
Employee Benefits Liability:	
Each Offense	2,000,000
Aggregate Limit	4,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	2,000,000
Disease-Each Employee	2,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	2,000,000
Aggregate Limit	4,000,000
Excess Liability	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 10 – RISK MANAGEMENT** *(continued)*

**C. Medical Benefits**

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 school districts (Note 17). The School District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

Funding Policy – 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$128,597, \$115,323, and \$121,984, respectively; 44.65 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** *(continued)*

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** *(continued)*

Funding Policy – For the fiscal year ended June 30, 2009, 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. 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 STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$644,726, \$620,915, and \$611,740, respectively; 83.33 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$253 made by the School District and \$9,009 made by the plan members.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 12 – POSTEMPLOYMENT BENEFITS** *(continued)*

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$85,997, \$79,126, and \$56,960, respectively; 44.65 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,610, \$8,309, and \$7,932 respectively; 44.93 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

Plan Description – The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$49,594, \$47,763, and \$47,057 respectively; 83.33 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 13 – 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 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory 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 a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 40 hours and any accumulated, unused balance is paid out upon termination of employment.

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 300 days for all certified personnel and 274 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation (certified - staff not to exceed 72.50 days; classified - staff not to exceed 64.75 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 Cooperative Benefit Plan Trust (Trust) (Note 17). The School District also provides dental insurance through Delta Dental, 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**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
2002 School Improvement Bonds					
2.85-5.25% - Serial Bonds \$5,405,000	\$340,000	\$0	\$340,000	\$0	\$0
24.56% - Original Issue of Capital					
Appreciation Bonds \$204,992	204,992	0	0	204,992	61,793
Accretion on Capital Appreciation Bonds	476,794	149,263	0	626,057	288,207
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	3,310,000	0	130,000	3,180,000	80,000
4.25-4.50% - Term Bonds \$6,020,000	6,020,000	0	0	6,020,000	0
11.85-11.98% - Original Issue on Capital					
Appreciation Bonds \$744,998	744,998	0	0	744,998	0
Accretion on Capital Appreciation Bonds	113,504	105,430	0	218,934	0
Unamortized Loss	(343,002)	0	(15,591)	(327,411)	0
Premium on Debt Issue	545,468	0	24,794	520,674	0
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000	0	1,120,000	0	1,120,000	0
4.00-5.13% - Term Bonds \$5,355,000	0	5,355,000	0	5,355,000	0
14.96-14.98% - Original Issue on Capital					
Appreciation Bonds \$99,997	0	99,997	0	99,997	0
Accretion on Capital Appreciation Bonds	0	2,578	0	2,578	0
Premium on Debt Issue	0	84,166	485	83,681	0
Total General Obligation Bonds	11,412,754	6,916,434	479,688	17,849,500	430,000
Compensated Absences	1,048,887	120,641	89,559	1,079,969	162,016
Total Long-Term Liabilities	<u>\$12,461,641</u>	<u>\$7,037,075</u>	<u>\$569,247</u>	<u>\$18,929,469</u>	<u>\$592,016</u>

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 to occur during fiscal year 2030. \$3,825,000 of the serial bonds were refunded during fiscal year 2007 leaving a balance of \$665,000 that was paid by the School District during fiscal years 2008 and 2009. The entire balance of the term bonds was refunded in the amount of \$4,390,000.

The 2002 capital appreciation bonds issued at \$204,992 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 thru 2014, with a maturity amount of \$350,000 each fiscal year. For fiscal year 2009, the capital appreciation bonds were accreted \$149,263.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

The 2007 School Improvement Refunding Bonds were issued March 29, 2007, for the purpose of advance refunding the \$8,215,000 outstanding School Improvement Bonds. The net proceeds of the 2007 bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the School District’s financial statements. A portion of the proceeds were used to pay off a \$2,000,000 note.

The Current Interest Refunding Bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Sinking Fund Redemption Date</u>	<u>Principal Amount to be Redeemed</u>	<u>Maturity Date</u>	<u>Principal at Maturity</u>
12/1/2020	\$605,000	12/1/2021	\$640,000
12/1/2023	700,000	12/1/2024	735,000

Unless otherwise called for redemption, the principal amount on the bonds is to be paid at stated maturity.

The Current Interest Refunding Bonds due December 1, 2029 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2026	\$805,000
2027	840,000
2028	875,000

Unless otherwise called for redemption, the remaining \$820,000 principal amount of the Bonds due December 1, 2029 is to be paid at stated maturity.

The Current Interest Refunding Bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after June 1, 2017 at par, which is 100 percent of the face value of the Current Interest Refunding Bonds.



**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

If fewer than all of the outstanding Current Interest Refunding Bonds of a single maturity are called for redemption, the selection of the Current Interest Refunding Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar (as hereinafter defined) in any manner which the Paying Agent and Registrar may determine. In the case of a partial redemption of Current Interest Refunding Bonds when Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Current Interest Refunding 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 Current Interest Refunding 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 shall surrender the Current Interest Refunding Bond to the Paying Agent and Registrar (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 change to the registered holder thereof, of a new Current Interest Refunding Bond or Bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Current Interest Refunding Bonds surrendered.

The 2007 capital appreciation bonds issued at \$744,998 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 thru 2018, with a maturity amount of \$530,000 in fiscal years 2015 through 2017, and \$540,000 in fiscal year 2018. For fiscal year 2009, the capital appreciation bonds were accreted \$105,430.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the bond anticipation notes, which were issued to pay the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

The Current Interest Bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Sinking Fund Redemption Date</u>	<u>Principal Amount to be Redeemed</u>	<u>Maturity Date</u>	<u>Principal at Maturity</u>
12/1/2019	\$180,000	12/1/2020	\$190,000
12/1/2021	195,000	12/1/2022	210,000
12/1/2023	215,000	12/1/2024	225,000
12/1/2025	235,000	12/1/2026	245,000
12/1/2027	255,000	12/1/2028	270,000
12/1/2029	285,000	12/1/2030	300,000
12/1/2031	315,000	12/1/2032	330,000

Unless otherwise called for redemption, the principal amount on the bonds is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2037 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2033 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2033	\$345,000
2034	360,000
2035	380,000
2036	400,000

Unless otherwise called for redemption, the remaining \$420,000 principal amount of the Current Interest Bonds due December 1, 2037 is to be paid at stated maturity.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 14 – LONG-TERM OBLIGATIONS** *(continued)*

If fewer than all of the outstanding Current Interest Bonds of a single maturity are called for redemption, the selection of the Current Interest Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar (as hereinafter defined) in any manner which the Paying Agent and Registrar may determine. In the case of a partial redemption of Current Interest Bonds when Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Current Interest 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 Current Interest 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 shall surrender the Current Interest Bond to the Paying Agent and Registrar (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 change to the registered holder thereof, of a new Current Interest Bond or Bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Current Interest Bonds surrendered.

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018 and 2019, with a maturity amount of \$180,000 during both fiscal years. For fiscal year 2009, the capital appreciation bonds were accreted \$2,578.

Compensated absences will be paid from the General, Food Service, Title I, and Title II-A Funds.

The School District's overall legal debt margin was \$5,638,968 and the unvoted debt margin was \$168,675 at June 30, 2009.

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Capital Appreciation Bond Principal	Capital Appreciation Bond Interest	Term Bond Principal	Term Bond Interest
2010	\$80,000	\$128,511	\$61,793	\$288,207	\$0	\$264,201
2011	255,000	124,911	49,014	300,986	0	264,201
2012	280,000	120,211	38,882	311,118	0	264,201
2013	300,000	114,511	30,842	319,158	0	264,201
2014	310,000	108,511	24,461	325,539	0	264,201
2015-2019	1,065,000	516,455	844,995	1,645,005	0	1,321,005
2020-2024	1,245,000	270,758	0	0	2,935,000	1,148,134
2025-2029	765,000	48,769	0	0	4,485,000	600,170
2030-2034	0	0	0	0	2,395,000	472,059
2035-2038	0	0	0	0	1,560,000	165,025
Total	<u>\$4,300,000</u>	<u>\$1,432,637</u>	<u>\$1,049,987</u>	<u>\$3,190,013</u>	<u>\$11,375,000</u>	<u>\$5,027,398</u>

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 15 – NOTES PAYABLE**

Activity related to the School District’s bond anticipation notes payable is as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09
<u>Governmental Activities:</u>				
Bond Anticipation Notes 3.25%	\$0	\$6,575,000	\$0	\$6,575,000

The notes were issued January 14, 2009 and are shown as a liability on the fund financial statements in the Building and Classroom Facilities Capital Project Funds which received the proceeds. The proceeds are being used for the high school building project.

**NOTE 16 – INTERFUND ACTIVITY**

The General Fund had transfers to the Other Governmental Funds of \$474,442. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL**

**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 \$45,300 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL** *(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 generally made from the General Fund. During fiscal year 2009, the School District paid \$2,074 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

*Southwestern Ohio Instructional Technology Association:*

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 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 21 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 or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2009, the School District paid \$5,930 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL** *(continued)*

**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.

*Ohio School Plan:*

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was 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 sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**C. Public Entity Shared Risk Pool**

*Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:*

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303Coprporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

**NOTE 18 – 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 and instructional materials and capital improvements. Disclosure of this information is required by State statute.

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2008	\$272,035	\$0
Current Fiscal Year Set-aside Requirement	198,308	198,308
Current Fiscal Year Offsets	0	(401,038)
Qualifying Disbursements	(260,655)	0
Set-aside Reserve Balance as of June 30, 2009	\$209,688	(\$202,730)
Set-aside Balances Carried Forward to Future Fiscal Years	\$209,688	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements amount below zero. This extra amount of offsets may not be used to reduce the set-aside requirements in future fiscal years.

**NOTE 19 – 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, 2009.

**B. Litigation**

The School District is not party to any legal proceedings.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2009

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**NOTE 20 – CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Balance at 6/30/2009</u>
Buehrer Group Architect	1,028,300.00	977,665.00
CTL Engineering	69,163.00	63,200.00
Project Management	4,200.00	-
Four Seasons Environmental inc	48,706.00	47,488.35
Quandel Group	940,698.37	940,698.37
Total	<u>2,091,067.37</u>	<u>2,029,051.72</u>

**NOTE 21 – SUBSEQUENT EVENT NOTE**

During July of 2009, the School District retired the \$6,575,000 bond anticipation notes obligation.

The district entered into a contract with Kelchner Inc as part of the High School construction project during fiscal year 2010. Although the contract totaled \$662,897, the district has not expended any funds against this contract as of November 17, 2009.



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

Board of Education  
Miami East Local School District  
2825 North State Route 589  
Casstown, Ohio 45312

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated November 24, 2009.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink on a light-colored background.

Springfield, Ohio  
November 24, 2009

Miami East Local School District  
Schedule of Findings and Responses  
Fiscal Year Ended June 30, 2009

**None Noted**

Miami East Local School District  
Schedule of Prior Year Findings and Questioned Costs  
Fiscal Year Ended June 30, 2009

**Finding 2008-001**

The District did not complete their Final Expenditure Report (FER) and submit it to the Ohio Department of Education (ODE) by the filing deadline of September 30<sup>th</sup>.

*Status: Not corrected – repeated in management letter for current audit.*

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Board of Education  
Miami East Local School District  
3825 North State Route 589  
Casstown, Ohio 45312

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Miami East Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on July 15, 2003 and last amended on November 19, 2007.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Springfield, Ohio  
November 24, 2009



**Mary Taylor, CPA**  
Auditor of State

**MIAMI EAST LOCAL SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2009**