

Miami East Local School District
Miami County, Ohio

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report)



Dave Yost • 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, 2009 through June 30, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 13, 2011

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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, 2010, 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, 2010, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, 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 3 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2010

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

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, 2010. 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 2010 are as follows:

- In total, net assets increased approximately \$205,000 or 1.3% from the prior year
- Unrestricted net assets, which are resources that fund daily activities, decreased \$175,168 from a negative \$1,766,937 in fiscal year 2009 to a negative \$1,942,105 in fiscal year 2010.
- Current assets decreased due to a decrease in intergovernmental receivable from the Ohio School Facilities Commission for the school building project that began in fiscal year 2008.
- Current liabilities decreased due to the District paying off \$6.8 million in short term bond anticipation notes that were issued in fiscal year 2009.

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, 2010

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 2010?" 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 eight. 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 Building Fund, and the Classroom Facilities Fund.

Governmental Funds

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

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

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. 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 2010 compared to fiscal year 2009:

	Table 1 Net Assets		
	2010	2009	Change
Assets:			
Current and Other Assets	\$24,275,520	\$32,746,381	(\$8,470,861)
Capital Assets, Net	17,921,782	14,584,113	3,337,669
Total Assets	42,197,302	47,330,494	(5,133,192)
Liabilities:			
Other Liabilities	7,312,022	12,615,548	(5,303,526)
Long-Term Liabilities	18,894,599	18,929,469	(34,870)
Total Liabilities	26,206,621	31,545,017	(5,338,396)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,809,818	3,768,569	41,249
Restricted	14,122,968	13,783,845	339,123
Unrestricted (Deficit)	(1,942,105)	(1,766,937)	(175,168)
Total Net Assets	\$15,990,681	\$15,785,477	\$205,204

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

Total assets of governmental activities decreased \$5,133,192, with current assets decreasing \$8,470,861. The decrease in current assets is due primarily to the decrease in intergovernmental receivable related to the Ohio School Facilities project. Capital assets, net increased mainly due to the addition of construction in progress related to the Ohio School Facilities Commission project for a new high school building.

The decrease of \$5,338,396 of total liabilities can be attributed to the repayment of the bond anticipation notes, offset by the additional liability caused by an increase in contracts payable.

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 an increase in restricted grant revenue. After the proceeds are spent, they are 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 increase in compensated absence liability and expenditures exceeding revenues.

Table 2 shows the changes in net assets for the fiscal years ended 2010 and 2009.

Table 2
Changes in Net Assets

	2010	2009	Change
Revenues:			
Program Revenues:			
Charges for Services	\$1,042,035	\$969,058	\$72,977
Operating Grants, Interest, and Contributions	1,240,916	797,932	442,984
Capital Grants, Interest, and Contributions	806	39,934	(39,128)
Total Program Revenues	<u>2,283,757</u>	<u>1,806,924</u>	<u>476,833</u>
General Revenues:			
Property Taxes	4,784,759	4,530,715	254,044
Income Taxes	1,635,910	1,587,108	48,802
Grants and Entitlements not Restricted to Specific Programs	5,165,292	17,341,879	(12,176,587)
Investment Earnings	103,333	67,890	35,443
Gifts and Donations	19,885	16,161	3,724
Miscellaneous	72,242	57,940	14,302
Total General Revenues	<u>11,781,421</u>	<u>23,601,693</u>	<u>(11,820,272)</u>
Total Revenues	<u>\$14,065,178</u>	<u>\$25,408,617</u>	<u>(\$11,343,439)</u>

(continued)

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

Table 2
Changes in Net Assets
(Continued)

	2010	2009	Change
Program Expenses:			
Instruction:			
Regular	\$6,224,977	\$5,971,103	\$253,874
Special	1,116,458	1,008,567	107,891
Vocational	130,908	117,996	12,912
Student Intervention Services	20,225	16,874	3,351
Support Services:			
Pupils	689,322	620,397	68,925
Instructional Staff	318,294	302,912	15,382
Board of Education	82,412	77,094	5,318
Administration	841,981	892,248	(50,267)
Fiscal	383,045	368,333	14,712
Business	49,766	59,185	(9,419)
Operation and Maintenance of Plant	1,039,136	1,039,236	(100)
Pupil Transportation	841,685	861,877	(20,192)
Central	240,901	277,478	(36,577)
Operation of Non-Instructional Services	439,065	430,437	8,628
Extracurricular Activities	428,848	432,438	(3,590)
Interest and Fiscal Charges	1,012,951	805,829	207,122
Total Expenses	<u>13,859,974</u>	<u>13,282,004</u>	<u>\$577,970</u>
Change in Net Assets	205,204	12,126,613	
Net Assets at Beginning of Year	<u>15,785,477</u>	<u>3,658,864</u>	
Net Assets at End of Year	<u>\$15,990,681</u>	<u>\$15,785,477</u>	

Overall, revenues decreased \$11,343,439 from fiscal year 2009. Individually, property taxes increased \$254,044, operating grants, interest and contributions increased \$442,984, and grants and entitlements not restricted to specific programs decreased \$12,176,587. The increase in property taxes is due to the School District collecting additional property tax revenues to pay the bonds and the required maintenance of the new building project. The increase in operating grants, interest and contributions is due primarily to the School District receiving new federal grants during fiscal year 2010. The decrease in grants and entitlements not restricted to specific programs is due to the School District receiving a one-time grant from the Ohio School Facilities Commission for the high school building project during fiscal year 2009.

Overall, expenses increased \$577,970 over fiscal year 2009. 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 for payments on the bond anticipation notes that were issued during fiscal year 2009. Overall, the School District held expenses to a modest increase by carefully monitoring budgets during the fiscal year, with an increase of four percent.

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

The School District's Funds

The School District's major funds consist of the General, Bond Retirement, Building and Classroom Facilities Funds. These funds are accounted for using the modified accrual basis of accounting. In total, fund balances increased \$6,730,435.

The General Fund had a decrease of \$84,832 from fiscal year 2009. This can be attributed to an increase in expenditures due to the required pay increases for employees, as well as an increase in employee benefits.

A decrease of \$6,505,304 was recognized in the Bond Retirement Fund. This was due to the transfer out of \$6,683,031. The transfer was for the repayment of principal and interest of the bond anticipation notes in the Building and Classroom Facilities Funds.

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 fiscal year 2009 and deposited a portion of these notes into this fund. That portion, plus interest was repaid during fiscal year 2010 through transfers from the Bond Retirement Fund. The transfer for the bond anticipation notes repayment, offset by an increase in capital outlay expenditures due to the ongoing high school building projects, caused the overall increase in fund balance of \$2,565,353 on a modified accrual basis.

The Classroom Facilities Fund was established to account for the Ohio School Facilities Commission revenue for the high school building project. The remaining portion of the bond anticipation notes was posted in this fund during fiscal year 2009. That portion, plus interest, was repaid during fiscal year 2010 through transfers from the Bond Retirement Fund. The transfer for the bond anticipation notes repayment plus a large increase in intergovernmental revenue from the Ohio School Facilities Commission grant, offset by an increase in capital outlay expenditures due to the ongoing high school building projects, caused the overall increase in fund balance of \$10,528,128.

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 2010, the School District amended its General Fund budget, which resulted in appropriations decreasing \$399,490 in order to put appropriations more in line with expenditures. The School District amended appropriations at the end of the fiscal year that matched actual expenditures.

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

For the General Fund, the budget basis revenue differed from the original budgeted estimates of \$11,027,464 by \$523,601 to \$10,494,863. The majority of this reduction was in intergovernmental revenue as State foundation money was less than anticipated for the General Fund with the new funding model implemented by the State during October 2009. 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 2010 balances compared to fiscal year 2009.

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

	2010	2009	Change
Land	\$303,182	\$303,182	\$0
Construction in Progress	4,065,793	312,314	3,753,479
Land Improvements	686,533	739,613	(53,080)
Buildings and Improvements	11,934,591	12,233,799	(299,208)
Furniture, Fixtures and Equipment	591,545	657,021	(65,476)
Vehicles	340,138	338,184	1,954
Totals	\$17,921,782	\$14,584,113	\$3,337,669

Capital assets additions included construction in progress from the high school building project, various equipment and buses. Additions, offset by depreciation expense and disposals, resulted in a net increase of \$3,337,669. For more information on capital assets, refer to Note 9 of the basic financial statements.

Miami East Local School District
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2010

Debt Administration

Total long-term obligations, consisting of general obligation bonds, are \$17,723,660. Short-term obligations, consisting of bond anticipation notes of \$6,575,000 at June 30, 2009, were repaid in full during fiscal year 2010. See notes 14 and 15 of the basic financial statements for more information concerning the School District's debt obligations.

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.

Mami East Local School District
Statement of Net Assets
June 20, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$17,658,042
Cash and Cash Equivalents with Fiscal Agent	58,813
Cash and Cash Equivalents with Escrow Agent	32,568
Accrued Interest Receivable	19,119
Intergovernmental Receivable	941,064
Accounts Receivable	14,935
Prepaid Items	16,291
Materials and Supplies Inventory	47,860
Income Taxes Receivable	666,641
Property Taxes Receivable	4,674,101
Deferred Charges	146,086
Nondepreciable Capital Assets	4,368,975
Depreciable Capital Assets, Net	13,552,807
Total Assets	42,197,302
Liabilities:	
Accounts Payable	103,132
Accrued Wages and Benefits Payable	967,694
Contracts Payable	1,465,643
Retainage Payable	93,887
Matured Compensated Absences Payable	2,000
Accrued Interest Payable	78,740
Intergovernmental Payable	378,382
Deferred Revenue	4,222,544
Long-Term Liabilities:	
Due Within One Year	764,759
Due in More Than One Year	18,129,840
Total Liabilities	26,206,621
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,809,818
Restricted for:	
Debt Service	530,207
Capital Outlay	13,046,367
Food Service	63,613
Miami East Foundation	70,701
Classroom Facilities Maintenance	153,164
Other Purposes	55,591
Set-Asides	203,325
Unrestricted (Deficit)	(1,942,105)
Total Net Assets	\$15,990,681

See Accompanying Notes to the Basic Financial Statements

Miami East Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Revenue and Changes in Net Assets	
			Capital Grants, Interest, and Contributions	Total Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$6,224,977	\$630,250	\$72,423	\$0	(\$5,522,304)
Special	1,116,458	0	537,835	0	(578,623)
Vocational	130,908	0	35,586	0	(95,322)
Student Intervention Services	20,225	0	0	0	(20,225)
Support Services:					
Pupils	689,322	43,392	156,625	0	(489,305)
Instructional Staff	318,294	0	6,628	0	(311,666)
Board of Education	82,412	0	0	0	(82,412)
Administration	841,981	0	16,198	0	(825,783)
Fiscal	383,045	0	1,725	0	(381,320)
Business	49,766	0	0	0	(49,766)
Operation and Maintenance of Plant	1,039,136	0	244,020	0	(795,116)
Pupil Transportation	841,685	0	0	806	(840,879)
Central	240,901	0	12,676	0	(228,225)
Operation of Non-Instructional Services	439,065	275,050	146,294	0	(17,721)
Extracurricular Activities	428,848	93,343	10,906	0	(324,599)
Interest and Fiscal Charges	1,012,951	0	0	0	(1,012,951)
Total Governmental Activities	\$13,859,974	\$1,042,035	\$1,240,916	\$806	(11,576,217)

General Revenues:

Property Taxes, Levied for:		
General Purposes		3,196,220
Facilities Maintenance		76,190
Capital Outlay		371,314
Debt Service		1,141,035
Income Taxes		1,635,910
Grants and Entitlements not Restricted to Specific Programs		5,165,292
Investment Earnings		103,333
Gifts and Donations		19,885
Miscellaneous		72,242
Total General Revenues		11,781,421
Change in Net Assets		205,204
Net Assets at Beginning of Year		15,785,477
Net Assets at End of Year		15,990,681

See Accompanying Notes to the Basic Financial Statements

Miami East Local School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Bond Retirement	Building	Classroom Facilities
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$284,691	\$579,071	\$2,729,098	\$12,878,570
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Receivables:				
Property Taxes	3,120,611	1,116,023	0	0
Income Taxes	666,641	0	0	0
Accounts	9,327	0	0	209
Intergovernmental	6,771	0	0	892,531
Accrued Interest	1,553	0	7,334	10,232
Interfund	78,547	0	0	0
Materials and Supplies Inventory	33,647	0	0	0
Prepaid Items	5,090	0	1,833	9,368
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agent	0	0	5,331	27,237
Equity in Pooled Cash and Cash Equivalents	203,325	0	0	0
Total Assets	\$4,410,203	\$1,695,094	\$2,743,596	\$13,818,147
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$67,649	\$0	\$79	\$406
Accrued Wages and Benefits Payable	911,624	0	0	0
Contracts Payable	0	0	222,350	1,237,666
Retainage Payable	0	0	15,369	78,518
Interfund Payable	0	0	0	76,920
Intergovernmental Payable	337,716	0	0	0
Deferred Revenue	2,953,849	1,017,231	0	762,453
Matured Compensated Absences Payable	2,000	0	0	0
Total Liabilities	4,272,838	1,017,231	237,798	2,155,963
Fund Balances:				
Reserved for Encumbrances	194,733	0	1,859,558	9,093,563
Reserved for Property Taxes	264,875	98,792	0	0
Reserved for Textbooks and Instructional Materials	203,325	0	0	0
Unreserved, Undesignated (Deficit) Reported in:				
General Fund	(525,568)	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	579,071	0	0
Capital Projects Funds	0	0	646,240	2,568,621
Total Fund Balances	137,365	677,863	2,505,798	11,662,184
Total Liabilities and Fund Balances	\$4,410,203	\$1,695,094	\$2,743,596	\$13,818,147

See Accompanying Notes to the Basic Financial Statements

Other Governmental Funds	Total Governmental Funds
\$983,287	\$17,454,717
58,813	58,813
437,467	4,674,101
0	666,641
5,399	14,935
41,762	941,064
0	19,119
0	78,547
14,213	47,860
0	16,291
0	32,568
0	203,325
<u>\$1,540,941</u>	<u>\$24,207,981</u>

\$34,998	\$103,132
56,070	967,694
5,627	1,465,643
0	93,887
1,627	78,547
40,666	378,382
425,419	5,158,952
0	2,000
<u>564,407</u>	<u>8,248,237</u>

10,114	11,157,968
37,753	401,420
0	203,325
0	(525,568)
340,248	340,248
0	579,071
588,419	3,803,280
<u>976,534</u>	<u>15,959,744</u>
<u>\$1,540,941</u>	<u>\$24,207,981</u>

Miami East Local School District
Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2010

Total Governmental Fund Balances		\$15,959,744
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
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	4,065,793	
Land Improvements	1,110,801	
Buildings and Improvements	14,279,150	
Furniture, Fixtures and Equipment	1,995,343	
Vehicles	1,399,550	
Accumulated Depreciation	(5,232,037)	
		17,921,782
 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	50,266	
Income Taxes Receivable	91,986	
Accounts Receivable	8,343	
Intergovernmental Receivable	785,813	
		936,408
 Governmental funds report bond issuance costs as expenditures whereas these amounts are deferred and amortized in the statement of activities		
		146,086
 In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(78,740)
 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	(875,627)	
Bonds Payable	(16,583,194)	
Unamortized Loss	311,820	
Premium on Debt Issued	(576,659)	
Compensated Absences	(1,170,939)	
Total Liabilities		(18,894,599)
 Net Assets of Governmental Activities		 \$15,990,681

See Accompanying Notes to the Basic Financial Statements

Miami East Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Building	Classroom Facilities
Revenues:				
Property Taxes	\$3,216,355	\$1,148,992	\$0	\$0
Income Taxes	1,625,738	0	0	0
Intergovernmental	5,167,928	175,030	0	9,894,133
Investment Earnings	5,773	1,725	39,048	52,531
Tuition and Fees	587,230	0	0	0
Extracurricular Activities	2,242	0	0	0
Customer Sales and Services	0	0	0	0
Rent	11,770	0	0	0
Gifts and Donations	1,175	0	0	0
Miscellaneous	20,298	0	573	2,927
Total Revenues	10,638,509	1,325,747	39,621	9,949,591
Expenditures:				
Current:				
Instruction:				
Regular	5,816,422	0	0	0
Special	570,029	0	0	0
Vocational	124,908	0	0	0
Student Intervention Services	11,368	0	0	0
Support Services:				
Pupils	293,028	0	0	0
Instructional Staff	256,474	0	0	0
Board of Education	82,412	0	0	0
Administration	816,053	0	0	0
Fiscal	333,633	17,509	0	0
Business	45,757	0	0	0
Operation and Maintenance of Plant	683,018	0	79	406
Pupil Transportation	740,773	0	0	0
Central	215,716	0	0	0
Operation of Non-Instructional Services	479	0	0	0
Extracurricular Activities	255,143	0	0	0
Capital Outlay	14,041	0	500,341	3,068,439
Debt Service:				
Principal Retirement	0	141,793	0	0
Interest and Fiscal Charges	0	700,511	4,653	4,844
Accretion on Capital Appreciation Bonds	0	288,207	0	0
Total Expenditures	10,259,254	1,148,020	505,073	3,073,689
Excess of Revenues Over (Under) Expenditures	379,255	177,727	(465,452)	6,875,902
Other Financing Sources (Uses):				
Transfers In	0	0	3,030,805	3,652,226
Transfers Out	(464,087)	(6,683,031)	0	0
Total Other Financing Sources (Uses)	(464,087)	(6,683,031)	3,030,805	3,652,226
Net Change in Fund Balances	(84,832)	(6,505,304)	2,565,353	10,528,128
Fund Balances (Deficit) at Beginning of Year	222,197	7,183,167	(59,555)	1,134,056
Fund Balances at End of Year	\$137,365	\$677,863	\$2,505,798	\$11,662,184

See Accompanying Notes to the Basic Financial Statements

Other Governmental Funds	Total Governmental Funds
\$450,506	\$4,815,853
0	1,625,738
1,027,056	16,264,147
7,297	106,374
32,403	619,633
137,255	139,497
274,907	274,907
0	11,770
33,038	34,213
48,235	72,033
<u>2,010,697</u>	<u>23,964,165</u>

144,427	5,960,849
510,927	1,080,956
972	125,880
8,857	20,225

345,301	638,329
38,279	294,753
0	82,412
24,060	840,113
28,607	379,749
0	45,757
302,023	985,526
101,532	842,305
62,409	278,125
402,052	402,531
110,889	366,032
167,359	3,750,180

0	141,793
0	710,008
0	288,207

<u>2,247,694</u>	<u>17,233,730</u>
------------------	-------------------

<u>(236,997)</u>	<u>6,730,435</u>
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464,087	7,147,118
0	(7,147,118)
<u>464,087</u>	<u>0</u>

227,090	6,730,435
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749,444	9,229,309
<u>\$976,534</u>	<u>\$15,959,744</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, 2010

Net Change in Fund Balances - Total Governmental Funds \$6,730,435

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	3,903,699	
Current Year Depreciation Expense	(552,750)	
Excess of Capital Outlay over Depreciation Expense		3,350,949

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.

Loss on Disposal of Capital Assets		(13,280)
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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	(31,094)	
Income Taxes	10,172	
Intergovernmental Grants	(9,874,433)	
Tuition and Fees	(3,965)	
Extracurricular Activities	(1,546)	
Customer Sales and Services	1,739	
Gifts and Donations	275	
Miscellaneous	209	
Investment Earnings	(344)	
		(9,898,987)

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	141,793	
Payment of Accretion	288,207	
		430,000

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:

Decrease in Accrued Interest Payable	7,468	
Accretion of Capital Appreciation Bonds	(316,265)	
Amortization of Bond Issuance Costs	(6,251)	
Amortization of Loss	(15,591)	
Amortization of Bond Premium	27,696	
		(302,943)

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

Increase in Compensated Absences		(90,970)
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Change in Net Assets of Governmental Activities \$205,204

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, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$3,061,140	\$3,081,710	\$3,081,710	\$0
Income Taxes	1,732,602	1,616,757	1,616,757	0
Intergovernmental	5,560,027	5,167,745	5,167,745	0
Investment Earnings	9,143	8,532	8,532	0
Tuition and Fees	627,793	585,818	585,818	0
Extracurricular Activities	2,048	1,911	1,911	0
Rent	12,613	11,770	11,770	0
Gifts and Donations	1,260	1,175	1,175	0
Miscellaneous	20,838	19,445	19,445	0
Total Revenues	<u>11,027,464</u>	<u>10,494,863</u>	<u>10,494,863</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,649,631	5,780,850	5,780,850	0
Special	578,597	585,089	585,089	0
Vocational	120,668	123,980	123,980	0
Student Intervention Services	11,908	11,780	11,780	0
Support Services:				
Pupils	290,285	289,022	289,022	0
Instructional Staff	270,168	250,853	250,853	0
Board of Education	74,415	80,254	80,254	0
Administration	790,553	810,731	810,731	0
Fiscal	306,229	329,732	329,732	0
Business	130,495	65,883	65,883	0
Operation and Maintenance of Plant	1,234,623	780,390	780,390	0
Pupil Transportation	839,675	833,276	833,276	0
Central	266,294	216,373	216,373	0
Operation of Non-Instructional Services	986	579	579	0
Extracurricular Activities	244,311	259,630	259,630	0
Capital Outlay	23,615	14,541	14,541	0
Total Expenditures	<u>10,832,453</u>	<u>10,432,963</u>	<u>10,432,963</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>195,011</u>	<u>61,900</u>	<u>61,900</u>	<u>0</u>
Other Financing Uses:				
Transfers Out	(429,746)	(464,087)	(464,087)	0
Advances Out	<u>(72,735)</u>	<u>(78,547)</u>	<u>(78,547)</u>	<u>0</u>
Total Other Financing Uses	<u>(502,481)</u>	<u>(542,634)</u>	<u>(542,634)</u>	<u>0</u>
Net Change in Fund Balance	(307,470)	(480,734)	(480,734)	0
Fund Balance at Beginning of Year	457,953	457,953	457,953	0
Prior Year Encumbrances Appropriated	240,206	240,206	240,206	0
Fund Balance at End of Year	<u><u>\$390,689</u></u>	<u><u>\$217,425</u></u>	<u><u>\$217,425</u></u>	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements

Miami East Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency Fund
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$21,685	\$83,323
Liabilities:		
Current Liabilities:		
Accounts Payable	0	120
Undistributed Monies	0	8,047
Due to Students	0	75,156
Total Liabilities	0	\$83,323
Net Assets:		
Held in Trust for Scholarships	\$21,685	

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, 2010

	<u>Private Purpose Trust</u>
Additions:	
Investment Earnings	\$32
Deductions:	<u>0</u>
Change in Net Assets	32
Net Assets at Beginning of Year	<u>21,653</u>
Net Assets at End of Year	<u><u>\$21,685</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, 2010

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 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, 2010

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, 2010

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. 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.

Building Fund – The Building Capital Projects Fund accounts for the revenues 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.

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

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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.

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

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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 60 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, 2010

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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. Allocations 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 programs 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 East Education Foundation.

The School District has escrow accounts to hold retainage amounts owed to contractors until payments are made on the projects. The monies held in these accounts are presented as “Restricted Assets: Cash and Cash Equivalents with Escrow Agent,” on the financial statements.

During fiscal year 2010, the School District invested in STAROhio (State Treasury Asset Reserve of Ohio), federal agency securities, a money market mutual fund, and negotiable certificates of deposit. Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

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, 2010.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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 2010 amounted to \$5,773, which includes \$2,598 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash 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, 2010, 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 nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required by statute to be set aside by the School District for the purchase of textbooks and instructional materials and for retainage on construction contracts.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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:

Description	Estimated Lives
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 time when earned for all employees with more than one year of service. The School District records a liability for unused personal leave and compensatory time for all employees who have a balance at the end of the fiscal year.

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

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

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. The unmaturing portion of the liability is not reported.

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 fiscal year for the compounded interest during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as a reduction/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. Accretion on the capital appreciation bonds is not recorded.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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.

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, and textbooks and instructional materials.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

Q. Interfund Balances

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

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The Public School Preschool Fund is administered by a fiscal agent and is not budgeted by the School District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

S. 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 Title VI-B, Fiscal Stabilization, Title I and Title II-A Funds had deficit fund balances at June 30, 2010, of \$4,551, \$5,811, \$969, and \$439, respectively. The deficits 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 rather than when accruals occur.

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).

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING *(continued)*

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 Balance</u>
	<u>General</u>
GAAP Basis	(\$84,832)
Net Adjustment for Revenue Accruals	(145,445)
Net Adjustment for Expenditure Accruals	98,681
Advances	(78,547)
Change in Fair Value of Investments	1,799
Adjustment for Encumbrances	(272,390)
Budget Basis	(\$480,734)

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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

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

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

Investments

As of June 30, 2010, 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	\$6,480,187	\$6,480,187	\$0	\$0	AAAm	N/A
Federal Home Loan Bank Bonds	1,015,000	0	500,000	515,000	AAA	8.42%
Federal National Mortgage Association Bonds	501,565	501,565	0	0	AAA	4.16%
Fifth Third Institutional Governmental Money Market Mutual Fund	2,549,844	2,549,844	0	0	AAA	N/A
Negotiable Certificates of Deposit	1,511,874	1,511,874	0	0	----	12.54%
Totals	\$12,058,470	\$11,043,470	\$500,000	\$515,000		

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 negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District’s investment policy limits investments to those authorized by State statute.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 6 – PROPERTY TAXES *(continued)*

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami County. The Miami 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$264,875 in the General Fund, \$98,792 in the Bond Retirement Fund, \$31,167 in the Permanent Improvement Fund, and \$6,586 in the Other Governmental Funds. 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 Other Governmental Funds.

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

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 6 – PROPERTY TAXES *(continued)*

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$161,644,730	94.85%	\$164,452,350	95.67%
Public Utility Personal	7,118,230	4.18%	7,060,600	4.11%
General Business Personal	1,659,110	0.97%	375,210	0.22%
Total Assessed Value	<u>\$170,422,070</u>	<u>100.00%</u>	<u>\$171,888,160</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.04		\$52.04	

NOTE 7 – INCOME TAX

On January 1, 1992 the School District levied a one-half percent income tax and on January 1, 2008 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, 2010, consisted of property taxes, income taxes, accounts (tuition and student fees), intergovernmental grants, accrued interest and interfund. 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, 2010

NOTE 8 – RECEIVABLES *(continued)*

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
State of Ohio Refund	\$16,566
E-Rate Reimbursement	3,523
Ohio School Facilities Commission Grant	892,531
Title VI-A, Drug Free Schools	2,737
Title IDEA-B ARRA	3,537
Montgomery County ESC	2,991
Title I ARRA	18,922
Department of Job and Family Services	257
Total	\$941,064

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance At 6/30/2009	Additions	Deletions	Balance At 6/30/2010
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$303,182	\$0	\$0	\$303,182
Construction in Progress	312,314	3,753,479	0	4,065,793
Total Capital Assets, Not Being Depreciated	615,496	3,753,479	0	4,368,975
Depreciable Capital Assets:				
Land Improvements	1,132,919	0	(22,118)	1,110,801
Buildings and Improvements	14,279,150	0	0	14,279,150
Furniture, Fixtures and Equipment	2,024,959	59,491	(89,107)	1,995,343
Vehicles	1,351,125	90,729	(42,304)	1,399,550
Total Depreciable Capital Assets	18,788,153	150,220	(153,529)	18,784,844
Less Accumulated Depreciation:				
Land Improvements	(393,306)	(43,792)	12,830	(424,268)
Buildings and Improvements	(2,045,351)	(299,208)	0	(2,344,559)
Furniture, Fixtures and Equipment	(1,367,938)	(120,975)	85,115	(1,403,798)
Vehicles	(1,012,941)	(88,775)	42,304	(1,059,412)
Total Accumulated Depreciation	(4,819,536)	(552,750) *	140,249	(5,232,037)
Depreciable Capital Assets, Net	13,968,617	(402,530)	(13,280)	13,552,807
Governmental Activities Capital Assets, Net	\$14,584,113	\$3,350,949	(\$13,280)	\$17,921,782

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 9 – CAPITAL ASSETS *(continued)*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$178,395
Special	23,459
Vocational	2,589
Support Services:	
Pupils	48,595
Instructional Staff	22,559
Board of Education	29,099
Fiscal	709
Business	4,009
Operation and Maintenance of Plant	61,608
Pupil Transportation	86,830
Central	7,604
Operation of Non-Instructional Services	38,487
Extracurricular Activities	48,807
Total Depreciation Expense	<u>\$552,750</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.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 10 – RISK MANAGEMENT *(continued)*

B. Workers' Compensation

For fiscal year 2010, 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 Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council 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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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 2010, 12.78 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, 2010, 2009, and 2008 were \$226,296, \$128,597, and \$115,323, respectively; 43.62 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$667,169, \$644,726, and \$620,915, respectively; 83.26 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$179 made by the School District and \$10,204 made by the plan members.

NOTE 12 – POST-EMPLOYMENT 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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 12 – POST-EMPLOYMENT BENEFITS *(continued)*

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 2010, 0.46 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 2010, this amount was \$35,800.

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, 2010, 2009, and 2008 were \$35,219, \$85,997, and \$79,126, respectively; 43.62 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,457, \$10,610, and \$8,309, respectively; 43.62 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009, and 2008 were \$51,321, \$49,594, and \$47,763, respectively; 83.26 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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 employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 72.50 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council 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, 2010

NOTE 13 – OTHER EMPLOYEE BENEFITS (continued)

D. 125 Plan

The School District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the School District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
2002 School Improvement Bonds					
24.56% - Original Issue of Capital					
Appreciation Bonds \$204,992	\$204,992	\$0	\$61,793	\$143,199	\$49,014
Accretion on Capital Appreciation Bonds	626,057	181,959	288,207	519,809	300,986
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000					
	3,180,000	0	80,000	3,100,000	100,000
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	218,934	118,377	0	337,311	0
Unamortized Loss	(327,411)	0	(15,591)	(311,820)	0
Premium on Debt Issue	520,674	0	24,794	495,880	0
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000					
	1,120,000	0	0	1,120,000	155,000
4.00-5.13% - Term Bonds \$5,355,000					
	5,355,000	0	0	5,355,000	0
14.96-14.98% - Original Issue on Capital					
Appreciation Bonds \$99,997	99,997	0	0	99,997	0
Accretion on Capital Appreciation Bonds	2,578	15,929	0	18,507	0
Premium on Debt Issue	83,681	0	2,902	80,779	0
Total General Obligation Bonds	17,849,500	316,265	442,105	17,723,660	605,000
Compensated Absences	1,079,969	218,751	127,781	1,170,939	159,759
Total Long-Term Liabilities	\$18,929,469	\$535,016	\$569,886	\$18,894,599	\$764,759

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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 2010, the capital appreciation bonds were accreted \$181,959.

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.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

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.

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 2010, the capital appreciation bonds were accreted \$118,377.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying 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, 2010

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, 2010

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 2010, the capital appreciation bonds were accreted \$15,929.

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

Due to the magnitude of the school facilities construction project, the debt issued by the School District exceeded the overall debt margin as permitted by Ohio statute. However, the School District was declared a “special needs” school district by the Superintendent of Public Instruction as defined by Section 133.06(E) of the Ohio Revised Code. Under this special exemption, the School District has obtained consent from the State Tax Commissioner and the Superintendent of Public Instruction to issue debt beyond the debt margin as permitted by Ohio statute.

During fiscal year 2010, the bond insurer for the 2002 School Improvement Bonds, Assured Guaranty Corporation (formerly Financial Security Assurance Inc.), received a reduction in rating. The insured rating assigned to the bonds by Moody’s Investors Service was reduced to “Aa3 with negative outlook” and to “AAA with negative outlook” from Standard and Poor’s. The rating reflects the rating agency’s current assessment of the credit worthiness of the Assured Guaranty Corporation and its ability to pay claims on its policies of insurance. Any further explanation as the significance of the above rating may be obtained only from the respective rating agency.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

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

The following table provides a summary of the School District’s future obligation for the general obligation bonds:

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
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	165,000	105,511	217,915	312,085	0	264,201
2016-2020	1,480,000	482,655	627,080	1,332,920	180,000	1,321,005
2021-2025	665,000	231,560	0	0	3,715,000	1,049,852
2026-2030	765,000	16,256	0	0	4,630,000	452,701
2031-2035	0	0	0	0	1,650,000	524,334
2036-2038	0	0	0	0	1,200,000	94,300
Total	\$4,220,000	\$1,304,126	\$988,194	\$2,901,806	\$11,375,000	\$4,763,197

NOTE 15 – NOTES PAYABLE

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

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10
<u>Governmental Activities:</u>				
Bond Anticipation Notes 3.25%	\$6,575,000	\$0	\$6,575,000	\$0

The notes were issued January 14, 2009 for the construction of a new high school building and were repaid during fiscal year 2010 with proceeds from the 2009 School Improvement Bonds.

Miami East Local School District
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2010

NOTE 16 – INTERFUND ACTIVITY

The General Fund had an interfund receivable at June 30, 2009, of \$78,547, while the Classroom Facilities Fund and Other Governmental Funds had interfund payables of \$76,920 and \$1,627, respectively. General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Restricted monies are used to reimburse the General Fund for advancing monies to other funds due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund reimburses the General Fund for the initial advance. All interfund payables are expected to be repaid within one year.

The General Fund had transfers to the Other Governmental Funds of \$464,087 to move General Fund revenues to subsidize various programs in other funds. The Debt Service Fund had transfers to the Building and Classroom Facilities Fund of \$3,030,805 and \$3,652,226, respectively, to move money to pay the bond anticipation notes from the funds that originally received the proceeds.

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 \$41,729 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, 2010

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. Payments to SOEPC are made from the General Fund. During fiscal year 2010, 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 2010, the School District paid \$1,429 to SOITA. 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, 2010

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 11 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 the GRP serves as the coordinator of the program. Each fiscal year, the participants 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. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council 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, 303 Corporate 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, 2010

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 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, 2009	\$209,688	\$0
Current Fiscal Year Set-aside Requirement	202,151	202,151
Current Fiscal Year Offsets	0	(431,308)
Qualifying Disbursements	(208,514)	0
Set-aside Reserve Balance as of June 30, 2010	\$203,325	(\$229,157)
Set-aside Balances Carried Forward to Future Fiscal Years	\$203,325	\$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, 2010.

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, 2010

NOTE 20 – CONTRACTUAL COMMITMENTS

The following table provides a summary of the outstanding contractual commitments for various projects as of June 30, 2010:

Contractor	Contract Amount	Amount Expended	Amount Outstanding
Buehrer Group Architect	\$1,028,300	\$741,296	\$287,004
Staffco Construction Inc.	7,388,500	924,329	6,464,171
Sollmann Electric Company	1,689,829	178,366	1,511,463
GM Mechanical Inc.	1,925,000	214,290	1,710,710
Craynon Fire Protection Inc.	125,527	4,695	120,832
Kelcher Inc.	722,293	703,636	18,657
Quandel	808,194	453,908	354,286
	<u>\$13,687,643</u>	<u>\$3,220,520</u>	<u>\$10,467,123</u>

Miami East Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	47,071	36,396
Cash Assistance				
National School Lunch Program	LL-P4	10.555	<u>91,309</u>	<u>91,309</u>
Total U.S. Department of Agriculture			<u>138,380</u>	<u>127,705</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	91,280	91,280
Title I Grant - ARRA	C1-S1	84.389	<u>8,769</u>	<u>8,769</u>
Total Title I Cluster			<u>100,049</u>	<u>100,049</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	206,246	206,246
IDEA B - ARRA	6B-SF	84.391	117,000	117,000
IDEA Preschool	6B-SF	84.173	<u>4,707</u>	<u>4,707</u>
Total Special Education Cluster			<u>327,953</u>	<u>327,953</u>
Drug Free Schools and Communities	DR-10	84.186	2,750	6,435
Title II-D - Technology	TJ-S1	84.318	817	627
Improving Teacher Quality	CR-S1	84.367	35,095	35,095
State Fiscal Stabilization Fund - ARRA	NA	84.394	<u>301,260</u>	<u>301,260</u>
Total Passed Through Ohio Department of Education			<u>767,924</u>	<u>771,419</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>906,304</u>	\$ <u>899,124</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Miami East Local School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2010, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

**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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

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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 30, 2010.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2010

**Report on Compliance with Requirements That Could Have a Direct
And Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Miami East Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2010

**Miami East Local School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? None noted

Identification of major programs:

Special Education Cluster
 CFDA 84.027 – IDEA B
 CFDA 84.173 – IDEA Preschool
 CFDA 84.391 – IDEA B – ARRA

State Fiscal Stabilization Fund – ARRA
 CFDA 84.394

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None noted



Dave Yost • 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
JANUARY 27, 2011**