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

Basic Financial Statements

June 30, 2011

(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, 2010 through June 30, 2011. 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

March 27, 2012

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis .....	3-10
Statement of Net Assets .....	11
Statement of Activities .....	12
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund .....	17
Statement of Net Assets – Fiduciary Funds .....	18
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust .....	19
Notes to the Basic Financial Statements .....	20-59
Schedule of Expenditures of Federal Awards .....	60
Notes to the Schedule of Expenditures of Federal Awards .....	61
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	62-63
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	64-65
Schedule of Findings and Questioned Costs .....	66-67
Independent Accountants' Report on Applying Agreed Upon Procedures .....	68

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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, 2011, 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, 2011, 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.

As described in Note 20, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, 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.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

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.

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  
January 31, 2012



**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2011

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The discussion and analysis of Miami East Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- The School District began a high school building project during fiscal year 2009 with the Ohio School Facilities Commission, which continued into fiscal year 2011.
- The School District offered an early severance buyout during fiscal year 2011, which 13 eligible employees accepted.

### **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 the 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.

### **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 2011?" 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.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2011

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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 Debt Service Fund, and the Classroom Facilities Capital Projects 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, 2011

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*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 2011 compared to fiscal year 2010:

**Table 1**  
**Net Assets**

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>ASSETS:</b>			
Current and Other Assets	\$ 13,592,115	\$ 24,268,824	\$ (10,676,709)
Capital Assets	<u>28,955,675</u>	<u>17,921,782</u>	<u>11,033,893</u>
Total Assets	<u>42,547,790</u>	<u>42,190,606</u>	<u>357,184</u>
<b>LIABILITIES</b>			
Current Liabilities	7,521,971	7,312,022	209,949
Noncurrent Liabilities	<u>19,149,030</u>	<u>18,894,599</u>	<u>254,431</u>
Total Liabilities	<u>26,671,001</u>	<u>26,206,621</u>	<u>464,380</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Debt	12,641,473	3,809,818	8,831,655
Restricted	5,561,641	14,116,272	(8,554,631)
Unrestricted	<u>(2,326,325)</u>	<u>(1,942,105)</u>	<u>(384,220)</u>
Total Net Assets	<u>\$ 15,876,789</u>	<u>\$ 15,983,985</u>	<u>\$ (107,196)</u>

Total assets of governmental activities increased \$357,184, with current assets decreasing \$10,676,709 and capital assets, net increasing \$11,033,893. These changes are due to the School District spending grant monies and the corresponding addition of construction in progress related to the Ohio School Facilities Commission project for a new high school building.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2011

The increase of \$464,380 of total liabilities can be attributed to the School District implementing an early severance buyout in order to save costs in the future.

The increase in invested in capital assets, net of related debt was caused by the debt payments and the additions to construction in progress being greater than depreciation expense. The decrease in restricted net assets is due to the School District spending grant monies related to the Ohio School Facilities Commission project for a new high school building during the fiscal year.

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 mainly to an increase in termination benefits resulting from the School District implementing an early severance buyout.

Table 2 shows the changes in net assets for the fiscal years ended 2011 and 2010.

Table 2  
Changes in Net Assets

	2011	2010	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$1,029,676	\$1,042,035	(\$12,359)
Operating Grants, Interest, and Contributions	1,512,731	1,240,916	271,815
Capital Grants, Interest, and Contributions	2,120	806	1,314
Total Program Revenues	<u>2,544,527</u>	<u>2,283,757</u>	<u>260,770</u>
General Revenues:			
Property Taxes	5,114,274	4,784,759	329,515
Income Taxes	1,758,357	1,635,910	122,447
Grants and Entitlements not Restricted to			
Specific Programs	5,034,413	5,165,292	(130,879)
Investment Earnings	34,147	103,333	(69,186)
Gifts and Donations	16,647	19,885	(3,238)
Miscellaneous	68,376	72,242	(3,866)
Total General Revenues	<u>12,026,214</u>	<u>11,781,421</u>	<u>244,793</u>
Total Revenues	<u>\$14,570,741</u>	<u>\$14,065,178</u>	<u>\$505,563</u>

(continued)

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2011

Table 2  
Changes in Net Assets  
(continued)

	2011	2010	Change
<b>Program Expenses:</b>			
Instruction:			
Regular	\$6,911,605	\$6,231,673	\$679,932
Special	1,113,706	1,116,458	(2,752)
Vocational	149,264	130,908	18,356
Student Intervention Services	13,481	20,225	(6,744)
Support Services:			
Pupils	696,319	689,322	6,997
Instructional Staff	353,407	318,294	35,113
Board of Education	84,103	82,412	1,691
Administration	867,358	841,981	25,377
Fiscal	402,208	383,045	19,163
Business	42,811	49,766	(6,955)
Operation and Maintenance of Plant	1,039,478	1,039,136	342
Pupil Transportation	817,959	841,685	(23,726)
Central	266,586	240,901	25,685
Operation of Non-Instructional Services	465,199	439,065	26,134
Extracurricular Activities	420,559	428,848	(8,289)
Interest and Fiscal Charges	1,033,894	1,012,951	20,943
Total Expenses	<u>14,677,937</u>	<u>13,866,670</u>	<u>\$811,267</u>
Change in Net Assets	(107,196)	198,508	
Net Assets at Beginning of Year	<u>15,983,985</u>	<u>15,785,477</u>	
Net Assets at End of Year	<u>\$15,876,789</u>	<u>\$15,983,985</u>	

Overall, revenues increased from fiscal year 2010. Individually, property taxes increased \$329,515, operating grants, interest and contributions increased \$271,815, and grants and entitlements not restricted to specific programs decreased \$130,879. 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 2011. The decrease in grants and entitlements not restricted to specific programs is due to a decline in State foundation.

Overall, expenses increased \$811,267 over fiscal year 2010. The main reason for the increase was due to an increase in termination benefits as the School District implemented an early severance buyout during the fiscal year. Overall, the School District held expenses to a modest increase by carefully monitoring budgets during the fiscal year, with an increase of six percent.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2011

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**The School District's Funds**

The School District's major funds consist of the General, Bond Retirement Debt Service Fund, and Classroom Facilities Capital Projects Fund. These funds are accounted for using the modified accrual basis of accounting.

The General Fund had an increase of \$178,039 from fiscal year 2010. This can be attributed to the School District closely monitoring expenditures throughout the fiscal year.

An increase of \$146,125 was recognized in the Bond Retirement Debt Service Fund. This was the result of revenues for the fiscal year, consisting of property taxes, homestead and rollback reimbursements, and interest, being greater than the annual debt service payments the School District incurred.

The Classroom Facilities Capital Projects Fund was established to account for the Ohio School Facilities Commission revenue for the high school building project. The beginning balance, offset by an increase in capital outlay expenditures due to the ongoing high school building projects, caused the overall decrease in fund balance of \$9,141,508.

**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 2011, the School District amended its General Fund budget, which resulted in appropriations decreasing slightly by \$33,156 in order to put final appropriations more in line with actual expenditures. Estimated revenues increased \$68,141 over the original budget due primarily to an increase in estimated property taxes.

**Miami East Local School District**  
Management's Discussion and Analysis  
For The Fiscal Year Ended June 30, 2011

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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 2011 balances compared to fiscal year 2010.

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

	2011	2010	Change
Land	\$303,182	\$303,182	\$0
Construction in Progress	15,025,688	4,065,793	10,959,895
Land Improvements	1,086,450	686,533	399,917
Buildings and Improvements	11,775,713	11,934,591	(158,878)
Furniture, Fixtures and Equipment	484,328	591,545	(107,217)
Vehicles	280,314	340,138	(59,824)
Totals	\$28,955,675	\$17,921,782	\$11,033,893

Capital assets additions included construction in progress from the high school building project, land improvements, various equipment and buses. Additions, offset by depreciation expense and disposals, resulted in a net increase of \$11,033,893. 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, 2011

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**Debt Administration**

Total long-term obligations were \$17,474,141 at June 30, 2011. See note 14 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 Lisa Fahncke, CPA, Treasurer/CFO at Miami East Local School District, 3825 North State Route 589, Casstown, Ohio 45312-9707 or email at [me\\_treas@mdeca.org](mailto:me_treas@mdeca.org).



**Miami East Local School District**

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,744,645
Cash and Cash Equivalents with Fiscal Agent	68,849
Cash and Cash Equivalents with Escrow Agent	146,842
Accrued Interest Receivable	9,862
Intergovernmental Receivable	849,291
Accounts Receivable	12,487
Prepaid Items	6,975
Materials and Supplies Inventory	49,500
Income Taxes Receivable	757,095
Property Taxes Receivable	4,806,734
Deferred Charges	139,835
Nondepreciable Capital Assets	15,328,870
Depreciable Capital Assets, Net	13,626,805
Total Assets	<u>42,547,790</u>
<b>Liabilities:</b>	
Accounts Payable	45,882
Accrued Wages and Benefits Payable	1,015,178
Contracts Payable	1,896,686
Retainage Payable	177,394
Accrued Interest Payable	81,056
Intergovernmental Payable	351,584
Deferred Revenue	3,954,191
Long-Term Liabilities:	
Due Within One Year	936,111
Due in More Than One Year	18,212,919
Total Liabilities	<u>26,671,001</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	12,641,473
Restricted for:	
Debt Service	685,514
Capital Outlay	4,143,600
Classroom Facilities Maintenance	235,831
Other Purposes	242,090
Set-Asides	254,606
Unrestricted (Deficit)	(2,326,325)
Total Net Assets	<u>\$15,876,789</u>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$6,911,605	\$630,317	\$326,653	\$0	(\$5,954,635)
Special	1,113,706	0	479,547	0	(634,159)
Vocational	149,264	0	36,310	0	(112,954)
Student Intervention Services	13,481	0	0	0	(13,481)
Support Services:					
Pupils	696,319	18,649	180,948	0	(496,722)
Instructional Staff	353,407	0	21,262	0	(332,145)
Board of Education	84,103	0	0	0	(84,103)
Administration	867,358	0	14,344	0	(853,014)
Fiscal	402,208	0	1,997	0	(400,211)
Business	42,811	0	0	0	(42,811)
Operation and Maintenance of Plant	1,039,478	0	289,566	2,120	(747,792)
Pupil Transportation	817,959	0	0	0	(817,959)
Central	266,586	0	11,970	0	(254,616)
Operation of Non-Instructional Services	465,199	279,398	140,949	0	(44,852)
Extracurricular Activities	420,559	101,312	9,185	0	(310,062)
Interest and Fiscal Charges	1,033,894	0	0	0	(1,033,894)
Total Governmental Activities	<u>\$14,677,937</u>	<u>\$1,029,676</u>	<u>\$1,512,731</u>	<u>\$2,120</u>	<u>(12,133,410)</u>
<b>General Revenues:</b>					
Property Taxes, Levied for:					
					3,547,335
					81,226
					218,066
					1,267,647
					1,758,357
					5,034,413
					34,147
					16,647
					68,376
					<u>12,026,214</u>
					(107,196)
					<u>15,983,985</u>
					<u>\$15,876,789</u>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**

Balance Sheet

Governmental Funds

June 30, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$0	\$620,219	\$4,105,100	\$1,781,290	\$6,506,609
Cash and Cash Equivalents with Fiscal Agent	0	0	0	68,849	68,849
<b>Receivables:</b>					
Property Taxes	3,398,521	1,209,540	0	198,673	4,806,734
Income Taxes	757,095	0	0	0	757,095
Accounts	11,120	0	209	1,158	12,487
Intergovernmental	9,335	0	524,571	315,385	849,291
Accrued Interest	423	0	9,439	0	9,862
Interfund	138,330	0	0	63,924	202,254
Materials and Supplies Inventory	40,969	0	0	8,531	49,500
Prepaid Items	6,975	0	0	0	6,975
<b>Restricted Assets:</b>					
Cash and Cash Equivalents with Escrow Agent	0	0	122,804	24,038	146,842
Equity in Pooled Cash and Cash Equivalents	238,036	0	0	0	238,036
<b>Total Assets</b>	<b><u>\$4,600,804</u></b>	<b><u>\$1,829,759</u></b>	<b><u>\$4,762,123</u></b>	<b><u>\$2,461,848</u></b>	<b><u>\$13,654,534</u></b>
 <b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$41,112	\$0	\$0	\$4,770	\$45,882
Accrued Wages and Benefits Payable	840,310	0	0	174,868	1,015,178
Contracts Payable	116	0	1,583,926	312,644	1,896,686
Retainage Payable	0	0	148,355	29,039	177,394
Interfund Payable	63,924	0	0	138,330	202,254
Intergovernmental Payable	313,920	0	0	37,664	351,584
Deferred Revenue	2,961,078	1,005,771	509,166	264,119	4,740,134
<b>Total Liabilities</b>	<b><u>4,220,460</u></b>	<b><u>1,005,771</u></b>	<b><u>2,241,447</u></b>	<b><u>961,434</u></b>	<b><u>8,429,112</u></b>
 <b>Fund Balances:</b>					
Nonspendable	47,944	0	0	8,531	56,475
Restricted	254,606	823,988	2,520,676	1,516,779	5,116,049
Committed	1,746	0	0	0	1,746
Assigned	76,048	0	0	0	76,048
Unassigned (Deficit)	0	0	0	(24,896)	(24,896)
<b>Total Fund Balances</b>	<b><u>380,344</u></b>	<b><u>823,988</u></b>	<b><u>2,520,676</u></b>	<b><u>1,500,414</u></b>	<b><u>5,225,422</u></b>
 <b>Total Liabilities and Fund Balances</b>	<b><u>\$4,600,804</u></b>	<b><u>\$1,829,759</u></b>	<b><u>\$4,762,123</u></b>	<b><u>\$2,461,848</u></b>	<b><u>\$13,654,534</u></b>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
 Reconciliation of Total Governmental Fund Balances  
 To Net Assets of Governmental Activities  
 June 30, 2011

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<b>Total Governmental Fund Balances</b>	\$5,225,422
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*Amounts reported for governmental activities in the statement of net assets are different because:*

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

Land	303,182	
Construction In Progress	15,025,688	
Land Improvements	1,552,346	
Buildings and Improvements	14,409,709	
Furniture, Fixtures and Equipment	1,917,597	
Vehicles	1,405,500	
Accumulated Depreciation	<u>(5,658,347)</u>	
		28,955,675

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	80,958	
Income Taxes Receivable	103,094	
Accounts Receivable	10,255	
Intergovernmental Receivable	<u>591,636</u>	
		785,943

Bond issuance costs reported as an expenditure in the governmental funds are recognized as an asset and allocated as an expense over the life of the bonds on a full accrual basis.

139,835

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

(81,056)

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	(942,227)	
Bonds Payable	(16,279,180)	
Unamortized Loss	296,229	
Premium on Debt Issued	(548,963)	
Compensated Absences	<u>(1,674,889)</u>	
Total Liabilities		<u>(19,149,030)</u>

*Net Assets of Governmental Activities*

\$15,876,789

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, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$3,523,722	\$1,259,051	\$0	\$300,809	\$5,083,582
Income Taxes	1,747,249	0	0	0	1,747,249
Intergovernmental	5,031,806	182,076	254,829	1,263,898	6,732,609
Investment Earnings	2,229	1,146	(5,439)	38,688	36,624
Tuition and Fees	613,276	0	0	0	613,276
Extracurricular Activities	19,767	0	0	101,312	121,079
Customer Sales and Services	104	0	0	279,445	279,549
Rent	13,965	0	0	0	13,965
Gifts and Donations	7,349	0	0	17,548	24,897
Miscellaneous	55,275	0	0	13,101	68,376
<b>Total Revenues</b>	<b>11,014,742</b>	<b>1,442,273</b>	<b>249,390</b>	<b>2,014,801</b>	<b>14,721,206</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	5,874,509	0	119,514	347,957	6,341,980
Special	625,510	0	0	447,827	1,073,337
Vocational	104,921	0	0	1,205	106,126
Student Intervention Services	13,481	0	0	0	13,481
Support Services:					
Pupils	305,910	0	0	299,844	605,754
Instructional Staff	251,312	0	0	85,318	336,630
Board of Education	84,103	0	0	0	84,103
Administration	831,558	3	0	20,542	852,103
Fiscal	352,849	21,299	0	26,622	400,770
Business	38,875	0	0	0	38,875
Operation and Maintenance of Plant	651,398	0	12,739	317,711	981,848
Pupil Transportation	747,602	0	0	15,821	763,423
Central	229,769	0	10,196	23,826	263,791
Operation of Non-Instructional Services	3,894	0	16,162	383,928	403,984
Extracurricular Activities	271,493	0	0	106,064	377,557
Capital Outlay	8,802	0	9,232,440	2,296,370	11,537,612
Debt Service:					
Principal Retirement	0	304,014	0	0	304,014
Interest and Fiscal Charges	0	669,846	0	0	669,846
Accretion on Capital Appreciation Bonds	0	300,986	0	0	300,986
<b>Total Expenditures</b>	<b>10,395,986</b>	<b>1,296,148</b>	<b>9,391,051</b>	<b>4,373,035</b>	<b>25,456,220</b>
Excess of Revenues Over (Under) Expenditures	618,756	146,125	(9,141,661)	(2,358,234)	(10,735,014)
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	0	153	447,952	448,105
Transfers Out	(448,105)	0	0	0	(448,105)
Proceeds from Sale of Capital Assets	7,388	0	0	0	7,388
<b>Total Other Financing Sources (Uses)</b>	<b>(440,717)</b>	<b>0</b>	<b>153</b>	<b>447,952</b>	<b>7,388</b>
Net Change in Fund Balances	178,039	146,125	(9,141,508)	(1,910,282)	(10,727,626)
Fund Balances at Beginning of Year - Restated (See Note 20)	202,305	677,863	11,662,184	3,410,696	15,953,048
Fund Balances at End of Year	\$380,344	\$823,988	\$2,520,676	\$1,500,414	\$5,225,422

See Accompanying Notes to the Basic Financial Statements

**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, 2011

**Net Change in Fund Balances - Total Governmental Funds** (\$10,727,626)

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

Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital Outlay	11,560,644	
Current Year Depreciation Expense	(519,363)	
		11,041,281

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

Proceeds from Sale of Capital Assets	7,388	
Loss on Disposal of Capital Assets	(14,776)	
		(7,388)

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	30,692	
Income Taxes	11,108	
Intergovernmental Grants	(194,177)	
Tuition and Fees	(977)	
Extracurricular Activities	2,831	
Customer Sales and Services	(47)	
Gifts and Donations	105	
		(150,465)

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	304,014	
Payment of Accretion	300,986	
		605,000

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:

Increase in Accrued Interest Payable	(2,316)	
Accretion of Capital Appreciation Bonds	(367,586)	
Amortization of Bond Issuance Costs	(6,251)	
Amortization of Loss	(15,591)	
Amortization of Bond Premium	27,696	
		(364,048)

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		(503,950)
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Change in Net Assets of Governmental Activities (\$107,196)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$3,087,377	\$3,238,612	\$3,238,612	\$0
Income Taxes	1,676,901	1,667,903	1,667,903	0
Intergovernmental	5,065,320	5,038,141	5,038,141	0
Investment Earnings	1,439	1,431	1,431	0
Tuition and Fees	616,445	611,773	611,773	0
Extracurricular Activities	40,540	19,986	19,986	0
Customer Sales and Services	104	104	104	0
Rent	14,040	13,965	13,965	0
Gifts and Donations	13,556	7,877	7,877	0
Miscellaneous	62,386	46,457	51,373	4,916
<b>Total Revenues</b>	<b>10,578,108</b>	<b>10,646,249</b>	<b>10,651,165</b>	<b>4,916</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,839,735	5,964,810	5,964,776	34
Special	598,483	611,111	611,111	0
Vocational	101,674	104,698	104,698	0
Student Intervention Services	36,892	28,479	28,479	0
Support Services:				
Pupils	334,441	319,014	319,014	0
Instructional Staff	250,993	256,171	256,171	0
Board of Education	82,373	84,855	84,855	0
Administration	821,035	836,721	836,721	0
Fiscal	339,650	348,866	348,866	0
Business	76,428	57,949	57,949	0
Operation and Maintenance of Plant	829,644	748,652	748,652	0
Pupil Transportation	915,449	871,109	871,109	0
Central	185,261	188,924	188,924	0
Operation of Non-Instructional Services	6,887	4,019	4,019	0
Extracurricular Activities	267,086	273,770	273,770	0
Capital Outlay	9,045	8,802	8,802	0
<b>Total Expenditures</b>	<b>10,695,076</b>	<b>10,707,950</b>	<b>10,707,916</b>	<b>34</b>
Excess of Revenues Under Expenditures	(116,968)	(61,701)	(56,751)	4,950
<b>Other Financing Sources (Uses):</b>				
Proceed from Sale of Capital Assets	0	12,304	7,388	(4,916)
Transfers Out	(435,000)	(448,105)	(448,105)	0
Advances In	0	78,547	78,547	0
Advances Out	(203)	(209)	(209)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(435,203)</b>	<b>(357,463)</b>	<b>(362,379)</b>	<b>(4,916)</b>
Net Change in Fund Balance	(552,171)	(419,164)	(419,130)	34
Fund Balance at Beginning of Year - Restated (See Note 20)	276,536	276,536	276,536	0
Prior Year Encumbrances Appropriated	275,635	275,635	275,635	0
Fund Balance (Deficit) at End of Year	<u>\$0</u>	<u>\$133,007</u>	<u>\$133,041</u>	<u>\$34</u>

See Accompanying Notes to the Basic Financial Statements

**Miami East Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

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	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$20,973</u>	<u>\$69,852</u>
<b>Liabilities:</b>		
Current Liabilities:		
Accounts Payable	0	120
Undistributed Monies	0	2,219
Due to Students	0	67,513
Total Liabilities	<u>0</u>	<u>\$69,852</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>\$20,973</u>	

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, 2011

	Private Purpose Trust
<b>Additions:</b>	
Interest	\$38
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	750
Change in Net Assets	(712)
Net Assets at Beginning of Year	21,685
Net Assets at End of Year	\$20,973

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, 2011

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

Miami East Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1956 through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements 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, 2011

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

(continued)

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan  
Trust

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

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

**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, 2011

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

*Fund Financial Statements:*

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

**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 and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

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

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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.

**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, 2011

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

**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 gifts and donations.

*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, 2011

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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.

**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 2011, the School District invested in STAROhio (State Treasury Asset Reserve of Ohio), federal agency securities and a money market mutual fund. 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, 2011.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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 2011 amounted to \$2,229 which includes \$160 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.

**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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

**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.

**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, 2011

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**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:

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

**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.

**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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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.

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

**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.

**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, 2011

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

**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.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable*

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted*

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed*

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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

*Assigned*

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District.

*Unassigned*

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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, 2011

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

**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.

**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.

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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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

**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 Education Jobs, Title VI-B, Title I, and Title II-A Funds had deficit fund balances at June 30, 2011, of \$2,353, \$326, \$21,982, and \$235, 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 restricted, committed, or assigned fund balance (GAAP).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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	\$178,039
Net Adjustment for Revenue Accruals	(363,577)
Net Adjustment for Expenditure Accruals	(68,814)
Advances	78,338
Adjustment for Encumbrances	(243,116)
Budget Basis	(\$419,130)

**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, 2011

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**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, 2011

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

**Investments**

As of June 30, 2011, the School District had the following investments.

	Fair Value	Investment Maturities (in Years)		S&P Rating	Percent of Total Investments
		Less than 1	1 - 5		
STAROhio	\$950,786	\$950,786	\$0	AAAm	37.24%
Federal Home Loan Bank Bonds	505,830	0	505,830	AAA	19.81%
Federal National Mortgage Association Bonds	501,005	0	501,005	AAA	19.62%
Federal National Mortgage Association Notes	500,965	0	500,965	AAA	19.62%
Fifth Third Institutional Governmental Money Market Mutual Fund	94,511	94,511	0	AAA	N/A
<b>Totals</b>	<b>\$2,553,097</b>	<b>\$1,045,297</b>	<b>\$1,507,800</b>		

*Interest Rate Risk:*

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

*Credit Risk:*

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

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 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, 2011

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**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 advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 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, 2011 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, 2011, was \$549,985 in the General Fund, \$203,769 in the Bond Retirement Fund, \$20,513 in the Permanent Improvement Fund, and \$12,752 in the Other Governmental Funds. 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.

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, 2011

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$164,452,350	95.67%	\$178,206,550	95.96%
Public Utility Personal	7,060,600	4.11%	7,336,590	3.95%
General Business Personal	375,210	0.22%	168,660	0.09%
Total Assessed Value	<u>\$171,888,160</u>	<u>100.00%</u>	<u>\$185,711,800</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, 2011, 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, 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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

**NOTE 8 – RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Montgomery County ESC	\$5,623
Ohio School Facilities Commission	524,571
Education Jobs Fund	151,512
Race to the Top Grant	17,055
Title IDEA-B ARRA	132,414
Title II-D	134
Title I	13,892
Miscellaneous Reimbursements	4,090
Total	\$849,291

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance At 6/30/2010	Additions	Deletions	Balance At 6/30/2011
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$303,182	\$0	\$0	\$303,182
Construction in Progress	4,065,793	11,150,493	(190,598)	15,025,688
Total Capital Assets, Not Being Depreciated	4,368,975	11,150,493	(190,598)	15,328,870
Depreciable Capital Assets:				
Land Improvements	1,110,801	441,545	0	1,552,346
Buildings and Improvements	14,279,150	130,559	0	14,409,709
Furniture, Fixtures and Equipment	1,995,343	22,695	(100,441)	1,917,597
Vehicles	1,399,550	5,950	0	1,405,500
Total Depreciable Capital Assets	18,784,844	600,749	(100,441)	19,285,152
Less Accumulated Depreciation:				
Land Improvements	(424,268)	(41,628)	0	(465,896)
Buildings and Improvements	(2,344,559)	(289,437)	0	(2,633,996)
Furniture, Fixtures and Equipment	(1,403,798)	(122,524)	93,053	(1,433,269)
Vehicles	(1,059,412)	(65,774)	0	(1,125,186)
Total Accumulated Depreciation	(5,232,037)	(519,363) *	93,053	(5,658,347)
Depreciable Capital Assets, Net	13,552,807	81,386	(7,388)	13,626,805
Governmental Activities Capital Assets, Net	\$17,921,782	\$11,231,879	(\$197,986)	\$28,955,675

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$177,819
Special	23,190
Vocational	1,584
Support Services:	
Pupils	47,663
Instructional Staff	22,015
Board of Education	27,326
Fiscal	636
Business	3,936
Operation and Maintenance of Plant	59,099
Pupil Transportation	62,796
Central	8,069
Operation of Non-Instructional Services	37,783
Extracurricular Activities	47,447
Total Depreciation Expense	\$519,363

**NOTE 10 – RISK MANAGEMENT**

**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, 2011

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

**Workers' Compensation**

For fiscal year 2011, 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.

**Medical Benefits**

For fiscal year 2011, 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**

**School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$157,306, \$226,296, and \$128,597, respectively; 77.12 percent has been contributed for 2011 with balance reported as intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.



**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$685,169, \$667,169, and \$644,726, respectively; 82.48 percent has been contributed for fiscal year 2011, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$5,642 made by the School District and \$4,030 made by the plan members. In addition, member contributions of \$5,421 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, two members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**NOTE 12 – POST-EMPLOYMENT BENEFITS**

**School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System 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 obligation 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 105(e). For fiscal year 2011, 1.43 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 fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$27,254 in surcharge.

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, 2011, 2010, and 2009 were \$46,301, \$35,219, and \$85,997, respectively; 77.12 percent has been contributed for 2011 with balance reported as intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009, were \$10,123, \$13,457, and \$10,610, respectively; 77.12 percent has been contributed for 2011 with the balance reported as intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$52,705, \$51,321, and \$49,594, respectively; 82.48 percent has been contributed for fiscal year 2011, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**NOTE 13 – OTHER EMPLOYEE BENEFITS**

**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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**NOTE 13 – OTHER EMPLOYEE BENEFITS** *(continued)*

**Special Termination Benefits**

During fiscal year 2011, the District entered into an agreement which offered employees who were eligible to retire as of June 20, 2011 an early retirement incentive. Eligible employees would receive up to \$40,000, plus an amount equivalent to the employees applicable contractual sick leave pay. As of June 30, 2011, the liability for the early retirement incentive was \$723,326 payable to the plan sponsor in three annual installments through fiscal year 2014. Liability is recorded as part of compensated absences on government wide statements.

**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.

**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.

**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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<b><u>General Obligation Bonds:</u></b>					
2002 School Improvement Bonds					
24.56% - Original Issue of Capital					
Appreciation Bonds \$204,992	\$143,199	\$0	\$49,014	\$94,185	\$38,882
Accretion on Capital Appreciation Bonds	519,809	216,931	300,986	435,754	311,118
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	3,100,000	0	100,000	3,000,000	135,000
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	337,311	132,915	0	470,226	0
Unamortized Loss	(311,820)	0	(15,591)	(296,229)	0
Premium on Debt Issue	495,880	0	24,794	471,086	0
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000	1,120,000	0	155,000	965,000	145,000
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	18,507	17,740	0	36,247	0
Premium on Debt Issue	80,779	0	2,902	77,877	0
Total General Obligation Bonds	17,723,660	367,586	617,105	17,474,141	630,000
Compensated Absences	1,170,939	632,754	128,804	1,674,889	306,111
Total Long-Term Liabilities	<u>\$18,894,599</u>	<u>\$1,000,340</u>	<u>\$745,909</u>	<u>\$19,149,030</u>	<u>\$936,111</u>

On June 1, 2002, Miami East Local School District issued \$9,999,992 in school improvement general obligation bonds. The bonds were issued for a 28-year period with final maturity to occur during fiscal year 2030. \$3,825,000 of the serial bonds were refunded during fiscal year 2007 leaving a balance of \$665,000 that was paid by the School District during fiscal years 2008 and 2009. The entire balance of the term bonds was refunded in the amount of \$4,390,000.

The 2002 capital appreciation bonds issued at \$204,992 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 thru 2014, with a maturity amount of \$350,000 each fiscal year. For fiscal year 2011, the capital appreciation bonds were accreted \$216,931.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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

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

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

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

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

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

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

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

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**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 2011, the capital appreciation bonds were accreted \$132,915.

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, 2011

**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, 2011

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**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 2011, the capital appreciation bonds were accreted \$17,740.

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.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

**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
2012	\$280,000	\$145,511	\$38,882	\$311,118	\$0	\$515,887
2013	300,000	136,124	30,842	319,158	0	515,887
2014	310,000	126,249	24,461	325,539	0	515,887
2015	165,000	118,774	217,915	312,085	0	515,887
2016	170,000	113,749	194,583	335,417	0	515,887
2017-2021	1,310,000	440,099	432,497	997,504	975,000	2,551,979
2022-2026	1,430,000	187,705	0	0	3,155,000	2,027,694
2027-2031	0	0	0	0	4,695,000	1,116,175
2032-2036	0	0	0	0	1,730,000	439,166
2037-2038	0	0	0	0	820,000	42,538
Total	<u>\$3,965,000</u>	<u>\$1,268,211</u>	<u>\$939,180</u>	<u>\$2,600,821</u>	<u>\$11,375,000</u>	<u>\$8,756,987</u>

The School District's overall legal debt margin was \$1,253,943, with an unvoted debt margin of \$185,657 at June 30, 2011.

**NOTE 15 – FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and other governmental funds are presented below:

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

**NOTE 15 – FUND BALANCE** (continued)

Fund Balances	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Prepaid Items	\$6,975	\$0	\$0	\$0	\$6,975
Inventory	40,969	0	0	8,531	49,500
<b><i>Total Nonspendable</i></b>	<b>47,944</b>	<b>0</b>	<b>0</b>	<b>8,531</b>	<b>56,475</b>
<b><i>Restricted for</i></b>					
Set Asides	254,606	0	0	0	254,606
Debt Service	0	823,988	0	0	823,988
Buildings	0	0	0	642,384	642,384
Classroom Facilities	0	0	2,520,676	0	2,520,676
Permanent Improvements	0	0	0	470,797	470,797
Food Services	0	0	0	88,275	88,275
Education Foundation	0	0	0	74,051	74,051
Facilities Maintenance	0	0	0	234,517	234,517
Athletics	0	0	0	6,612	6,612
Drug Free Schools	0	0	0	143	143
<b><i>Total Restricted</i></b>	<b>254,606</b>	<b>823,988</b>	<b>2,520,676</b>	<b>1,516,779</b>	<b>5,116,049</b>
<b><i>Committed to</i></b>					
Contracts	1,746	0	0	0	1,746
<b><i>Assigned to</i></b>					
Other Purposes	76,048	0	0	0	76,048
<b><i>Unassigned (Deficit)</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(24,896)</b>	<b>(24,896)</b>
<b><i>Total Fund Balances</i></b>	<b>\$380,344</b>	<b>\$823,988</b>	<b>\$2,520,676</b>	<b>\$1,500,414</b>	<b>\$5,225,422</b>

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

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**NOTE 16 – INTERFUND ACTIVITY**

The General Fund and Other Governmental Funds had interfund receivables at June 30, 2011, of \$138,330 and \$63,924, while the General Fund and Other Governmental Funds had interfund payables of \$63,924 and \$138,330, 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. Other Governmental Funds advanced money the General Fund to cover program expenditures. All interfund payables are expected to be repaid within one year.

The General Fund had transfers to the Classroom Facilities Capital Projects Fund and Other Governmental Funds of \$153 and \$447,952, respectively, to move General Fund revenues to subsidize various programs in other funds.

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

**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 \$17,833 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, 2011

---

**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 and educational service centers 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 2011, the School District paid \$2,060 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 2011, the School District paid \$998 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, 2011

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

**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.

**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, 2011

**NOTE 18 – SET-ASIDES**

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-asides Balance as of June 30, 2010	\$203,325	\$0
Current Fiscal Year Set-aside Requirement	190,203	190,203
Current Fiscal Year Offsets	0	(325,381)
Qualifying Disbursements	(138,922)	0
Set-asides Balance as of June 30, 2011	\$254,606	(\$135,178)
Set-asides Balances Carried Forward to Future Fiscal Years	\$254,606	\$0

The School District had 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. At fiscal year end, the School District did not have a sufficient cash balance in the General Fund to meet the entire set-aside requirement for the textbooks and instructional materials.

**NOTE 19 – CONTINGENCIES**

**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, 2011. At fiscal year end, the General Fund did not have sufficient cash to meet the set aside reserve in the restricted assets.

**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

**NOTE 19 – CONTINGENCIES** *(continued)*

**Litigation**

The School District is not party to any legal proceedings.

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND CORRECTION OF A PRIOR YEAR ERROR**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds of the School District’s financial statements.

Equity in pooled cash and cash equivalents was overstated as of June 30, 2010 due to an error.

The implementation of GASB 54 and the correction of a prior year error had the following effect on fund balances at June 30, 2010, as previously reported.

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total
Fund Balance at June 30, 2010	\$137,365	\$677,863	\$11,662,184	\$3,482,332	\$15,959,744
Change in Fund Structure	64,940	0	0	(64,940)	0
Correction of Error	0	0	0	(6,696)	(6,696)
Adjusted Fund Balance at June 30, 2010	<u>\$202,305</u>	<u>\$677,863</u>	<u>\$11,662,184</u>	<u>\$3,410,696</u>	<u>\$15,953,048</u>

The correction of a prior year error had the following effect on net assets at June 30, 2010, as previously reported.

	Governmental Activities
Net Assets, June 30, 2010, as previously reported	\$15,990,681
Change in Net Assets	(6,696)
Net Assets, June 30, 2010, as restated	<u>\$15,983,985</u>

In addition, the fiscal year 2011 General Fund budgetary statements beginning balance was adjusted resulting in an increase of \$59,111 to a restated balance of \$276,536.



**Miami East Local School District**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended June 30, 2011

**NOTE 21 – CONTRACTUAL COMMITMENTS**

The following table provides a summary of the outstanding contractual commitments for various projects as of June 30, 2011:

	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Staffco Construction, Inc.	\$7,452,395	\$7,037,332	\$415,063
Martin Public Seating, Inc.	24,579	12,108	12,471
LOGOS Communications, Inc.	176,032	153,456	22,576
Buehrer Group Architect	1,028,300	949,460	78,840
Breckenridge Kitchen Equipment & Design, Inc.	206,595	196,860	9,735
GM Mechanical, Inc.	2,067,233	1,977,771	89,462
Chapel-Romanoff	225,714	214,715	10,999
Sollman Electric	1,704,590	1,629,182	75,408
Total	<u>\$12,885,438</u>	<u>\$12,170,884</u>	<u>\$714,554</u>

**NOTE 22 – SUBSEQUENT EVENT**

In November 2011, the School District passed an income tax levy that replaced the current 1.0% tax on all income of individuals residing in the School District with a 1.75% income tax on earned income of individuals residing in the School District.

**Miami East Local School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2011**

<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>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	58,648	63,554
Cash Assistance				
National School Lunch Program	LL-P4	10.555	<u>127,846</u>	<u>127,846</u>
Total U.S. Department of Agriculture			<u>186,494</u>	<u>191,400</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	83,698	83,698
Title I Grant - ARRA	C1-S1	84.389	<u>32,721</u>	<u>28,138</u>
Total Title I Cluster			<u>116,419</u>	<u>111,836</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	189,594	189,607
IDEA B - ARRA	6B-SF	84.391	-	124,074
IDEA Preschool	6B-SF	84.173	<u>4,793</u>	<u>4,793</u>
Total Special Education Cluster			<u>194,387</u>	<u>318,474</u>
Drug Free Schools and Communities				
	DR-10	84.186	1,768	-
Title II-D - Technology				
	TJ-S1	84.318	145	335
Improving Teacher Quality				
	CR-S1	84.367	34,181	34,181
Ed Jobs				
	N/A	84.410	99,214	108,239
Race to the Top - ARRA				
	N/A	84.395	2,433	7,665
State Fiscal Stabilization Fund - ARRA				
	NA	84.394	<u>365,529</u>	<u>365,529</u>
Total Passed Through Ohio Department of Education			<u>814,076</u>	<u>946,259</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>1,000,570</u>	\$ <u>1,137,659</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, 2011

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**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, 2011, 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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**

Management of the District is responsible for establishing and maintaining effective 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 preceding paragraph 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as finding 2011-001. A significant deficiency is a deficiency or a combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated January 31, 2012.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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  
January 31, 2012

**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, 2011. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-002.

**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.

2525 north limestone street, ste. 103  
springfield, oh 45503

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p. 937.399.2000  
f. 937.399.5433

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-002. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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  
January 31, 2012

**Miami East Local School District  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2011**

**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)?	Yes
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)?	Yes

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? Yes

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**

**Finding 2011-001 – Internal Controls Over Financial Reporting**

*Criteria:* Effective internal controls over financial reporting help to prevent or detect misstatements in the financial statements and compliance with governmental accounting standards. The District has contracted with the Local Government Services Division of the Auditor of State’s office for financial statement preparation in conformity with accounting principles generally accepted in the United States of America (GAAP). However, management of the District is ultimately responsible for the presentation of the financial statements. In addition, Ohio Revised Code section 117.38 requires the District to file annual reports within 150 days of their fiscal year end (November 30).



Condition: A draft of the financial statements was filed in order to meet the District's statutory filing deadline; however, the final copy submitted for audit on January 12, 2012 (193 days after the fiscal year end) was significantly different than the report filed to meet the annual filing deadline. Additionally, material audit adjustments were required to properly report contracts payable, deferred revenue and intergovernmental revenue.

Cause: The District did not have procedures in place to ensure the amounts and disclosure information, and required supplementary information, was accurate, complete and available on a timely basis.

Effect: Timely and accurate financial information is critical for management to make accurate decisions.

*Management Response: The District is meeting with management of Local Government Services to implement procedures and timelines to ensure the financial statements filed with the Auditor of State are a complete and accurate representation of the District's financial condition.*

### **Section III – Federal Awards Findings and Questioned Costs-**

#### **Finding 2011-002 – Noncompliance – State Fiscal Stabilization – ARRA – CFDA 84.394**

*Criteria:* 34 CFR 80.20 (b)(7) requires that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements. The District received bi-monthly advance payments of State Fiscal Stabilization funds from the Ohio Department of Education foundation program.

*Condition:* During the fiscal year ending June 30, 2011, the District maintained a cash balance that exceeded a balance that could have accumulated in a thirty day period of time, indicating that funds were not spent timely.

*Cause:* The District did not implement procedures to ensure advance payments were spent timely.

*Effect:* The failure to spend federal money in a timely manner could result in disciplinary actions by the awarding agency.

*Management Response: The District is aware of the non-compliance during the year, however, the bi-monthly advance payments automatically received from the Ohio Department of Education made it difficult to process and post the expenditures prior to receiving the advance payments. The grant revenues received under this program were completely expended at year end so it is not expected that the District will incur a similar finding in the future.*

### **Section IV – Summary of Prior Audit Findings and Questioned Costs**

None noted

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

To the Board of Education  
Miami East Local School District:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 21, 2011, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 31, 2012

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433



# Dave Yost • Auditor of State

MIAMI EAST LOCALS 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  
APRIL 10, 2012