



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



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

---

**STATE OF OHIO**



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types .....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance - Proprietary Fund Type and Nonexpendable Trust Funds .....	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Funds .....	11
Combined Statement of Cash Flows - Proprietary Fund Type and and Nonexpendable Trust Funds .....	12
Notes to the General Purpose Financial Statements .....	13
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i> .....	43
Schedule of Findings .....	45

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Miami East Local School District, Miami County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Miami East Local School District, Miami County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

October 27, 2000



**This page intentionally left blank.**

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,713,952	\$150,621	\$158,173
Investments	0	0	0
Receivables:			
Property and Other Taxes	2,645,346	0	362,312
Income Taxes	229,326	0	0
Accounts	2,880	24,185	0
Intergovernmental	17,456	31,246	0
Accrued Interest	2,299	0	0
Inventory of Supplies and Materials	30,998	0	0
Inventory Held for Resale	0	0	0
Prepaid Items	10,702	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	251,127	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$4,904,086</b>	<b>\$206,052</b>	<b>\$520,485</b>
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$44,556	\$11,937	\$3,000
Contracts Payable	0	0	10,158
Accrued Wages Payable	542,987	9,791	0
Intergovernmental Payable	133,214	16,875	0
Due to Students	0	0	0
Undistributed Monies	0	0	0
Deferred Revenue	2,581,159	7,548	352,191
Compensated Absences Payable	21,579	0	0
Accrued Interest Payable	5,691	0	0
Energy Conservation Loan Payable	105,000	0	0
<b>Total Liabilities</b>	<b>3,434,186</b>	<b>46,151</b>	<b>365,349</b>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	212,637	42,168	108,582
Reserved for Inventory of Supplies and Materials	30,998	0	0
Reserved for Property Taxes	66,866	0	10,121
Reserved for Endowments	0	0	0
Reserved for Textbook Purchases	82,463	0	0
Reserved for School Bus Purchases	59,596	0	0
Reserved for Budget Stabilization	109,068	0	0
Designated	174,328	0	0
Unreserved, Undesignated	733,944	117,733	36,433
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>1,469,900</b>	<b>159,901</b>	<b>155,136</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$4,904,086</b>	<b>\$206,052</b>	<b>\$520,485</b>

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$34,243	\$36,288	\$0	\$0	\$2,093,277
0	30,516	0	0	30,516
0	0	0	0	3,007,658
0	0	0	0	229,326
2,663	0	0	0	29,728
0	0	0	0	48,702
0	8	0	0	2,307
2,139	0	0	0	33,137
3,879	0	0	0	3,879
0	0	0	0	10,702
0	0	0	0	251,127
10,040	0	4,991,656	0	5,001,696
0	0	0	647,154	647,154
<u>\$52,964</u>	<u>\$66,812</u>	<u>\$4,991,656</u>	<u>\$647,154</u>	<u>\$11,389,209</u>
\$0	\$0	\$0	\$0	\$59,493
0	0	0	0	10,158
19,685	0	0	0	572,463
16,303	0	0	54,277	220,669
0	33,907	0	0	33,907
0	517	0	0	517
2,124	0	0	0	2,943,022
18,065	0	0	592,877	632,521
0	0	0	0	5,691
0	0	0	0	105,000
<u>56,177</u>	<u>34,424</u>	<u>0</u>	<u>647,154</u>	<u>4,583,441</u>
0	0	4,991,656	0	4,991,656
4,760	0	0	0	4,760
(7,973)	0	0	0	(7,973)
0	0	0	0	363,387
0	0	0	0	30,998
0	0	0	0	76,987
0	30,009	0	0	30,009
0	0	0	0	82,463
0	0	0	0	59,596
0	0	0	0	109,068
0	0	0	0	174,328
0	2,379	0	0	890,489
<u>(3,213)</u>	<u>32,388</u>	<u>4,991,656</u>	<u>0</u>	<u>6,805,768</u>
<u>\$52,964</u>	<u>\$66,812</u>	<u>\$4,991,656</u>	<u>\$647,154</u>	<u>\$11,389,209</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum) Only</u>
<b>Revenues:</b>				
Property and Other Taxes	\$2,571,668	\$0	\$350,339	\$2,922,007
Income Taxes	670,604	0	0	670,604
Tuition and Fees	52,374	0	0	52,374
Gifts and Donations	0	54,835	42,500	97,335
Interest	127,962	2,143	9,193	139,298
Intergovernmental	3,818,473	183,510	47,721	4,049,704
Extracurricular Activities	0	176,030	0	176,030
Miscellaneous	24,759	45,554	20,050	90,363
<b>Total Revenues</b>	<u>7,265,840</u>	<u>462,072</u>	<u>469,803</u>	<u>8,197,715</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,224,755	30,555	0	3,255,310
Special	324,232	111,209	0	435,441
Vocational	111,989	0	0	111,989
Adult/Continuing	240	0	0	240
<b>Support Services:</b>				
Pupils	229,604	130,285	0	359,889
Instructional Staff	196,100	71,476	0	267,576
Board of Education	71,090	0	0	71,090
Administration	728,651	28,739	0	757,390
Fiscal	213,005	0	6,111	219,116
Business	22,540	0	4,298	26,838
Operation and Maintenance of Plant	598,735	1,634	8,539	608,908
Pupil Transportation	493,330	21,126	58,416	572,872
Central	140,908	30,095	110,025	281,028
Operation of Non-Instructional Services	3,661	9,354	0	13,015
Extracurricular Activities	225,296	87,787	0	313,083
Capital Outlay	26,417	22,761	369,860	419,038
<b>Debt Service:</b>				
Interest and Fiscal Charges	5,691	0	0	5,691
<b>Total Expenditures</b>	<u>6,616,244</u>	<u>545,021</u>	<u>557,249</u>	<u>7,718,514</u>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	<u>649,596</u>	<u>(82,949)</u>	<u>(87,446)</u>	<u>479,201</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	10,439	0	0	10,439
Operating Transfers - In	0	176,030	0	176,030
Operating Transfers - Out	(176,030)	0	0	(176,030)
<b>Total Other Financing Sources (Uses)</b>	<u>(165,591)</u>	<u>176,030</u>	<u>0</u>	<u>10,439</u>
<b>Excess of Revenues and Other Financing Sources Over (Under)</b>				
Expenditures and Other Financing Uses	484,005	93,081	(87,446)	489,640
<b>Fund Balances at Beginning of Year</b>	983,898	66,820	242,582	1,293,300
Increase in Reserve for Inventory	1,997	0	0	1,997
<b>Fund Balances at End of Year</b>	<u>\$1,469,900</u>	<u>\$159,901</u>	<u>\$155,136</u>	<u>\$1,784,937</u>

See Accompanying Notes to the General Purpose Financial Statements

**This page intentionally left blank.**

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variable Favorable (Unfavorable)	Revised Budget	Actual	Variable Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,598,684	\$2,598,684	\$0	\$0	\$0	\$0
Income Taxes	705,497	705,497	0	0	0	0
Tuition and Fees	43,153	43,153	0	0	0	0
Gifts and Donations	0	0	0	54,835	54,835	0
Interest	127,877	127,877	0	2,143	2,143	0
Intergovernmental	3,814,890	3,814,890	0	140,393	140,393	0
Extracurricular Activities	0	0	0	176,539	176,539	0
Miscellaneous	25,077	25,077	0	30,156	30,156	0
<b>Total Revenues</b>	<b>7,315,178</b>	<b>7,315,178</b>	<b>0</b>	<b>404,066</b>	<b>404,066</b>	<b>0</b>
Expenditures:						
Current:						
Instruction:						
Regular	3,281,165	3,281,165	0	34,084	34,084	0
Special	318,529	318,529	0	121,119	121,119	0
Vocational	111,728	111,728	0	0	0	0
Other	25,612	25,612	0	0	0	0
Support Services:						
Pupils	256,207	256,207	0	131,504	131,504	0
Instructional Staff	205,401	205,401	0	68,322	68,322	0
Board of Education	75,415	75,415	0	0	0	0
Administration	736,265	736,265	0	29,293	29,293	0
Fiscal	217,925	217,925	0	0	0	0
Business	26,726	26,726	0	0	0	0
Operation and Maintenance of Plant	683,205	683,205	0	1,634	1,634	0
Pupil Transportation	579,079	579,079	0	21,628	21,628	0
Central	152,318	152,318	0	20,812	20,812	0
Operation of Non-Instructional Services	3,286	3,286	0	10,059	10,059	0
Extracurricular Activities	229,353	229,353	0	95,631	95,631	0
Capital Outlay	27,267	27,267	0	42,761	42,761	0
Debt Service:						
Principal Retirement	70,000	70,000	0	0	0	0
Interest and Fiscal Charges	13,279	13,279	0	0	0	0
<b>Total Expenditures</b>	<b>7,012,760</b>	<b>7,012,760</b>	<b>0</b>	<b>576,847</b>	<b>576,847</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	<b>302,418</b>	<b>302,418</b>	<b>0</b>	<b>(172,781)</b>	<b>(172,781)</b>	<b>0</b>
Other Financing Sources (Uses):						
Other Financing Sources	0	0	0	8,617	8,617	0
Proceeds from Sale of Fixed Assets	10,439	10,439	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(1,500)	(1,500)	0
Operating Transfers - In	0	0	0	176,030	176,030	0
Operating Transfers - Out	(176,030)	(176,030)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(165,591)</b>	<b>(165,591)</b>	<b>0</b>	<b>183,147</b>	<b>183,147</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>136,827</b>	<b>136,827</b>	<b>0</b>	<b>10,366</b>	<b>10,366</b>	<b>0</b>
Fund Balances at Beginning of Year	1,257,473	1,257,473	0	71,119	71,119	0
Prior Year Encumbrances Appropriated	255,113	255,113	0	21,042	21,042	0
<b>Fund Balances at End of Year</b>	<b>\$1,649,413</b>	<b>\$1,649,413</b>	<b>\$0</b>	<b>\$102,527</b>	<b>\$102,527</b>	<b>\$0</b>

See Accompanying Notes to the General Purpose Financial Statements

CAPITAL PROJECTS FUNDS

REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$354,511	\$354,511	\$0
0	0	0
0	0	0
42,500	42,500	0
9,193	9,193	0
47,721	47,721	0
0	0	0
<u>20,050</u>	<u>20,050</u>	<u>0</u>
<u>473,975</u>	<u>473,975</u>	<u>0</u>
0	0	0
0	0	0
0	0	0
0	0	0
2,123	2,123	0
0	0	0
0	0	0
0	0	0
6,111	6,111	0
4,298	4,298	0
8,539	8,539	0
118,012	118,012	0
115,962	115,962	0
0	0	0
0	0	0
458,323	458,323	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>713,368</u>	<u>713,368</u>	<u>0</u>
<u>(239,393)</u>	<u>(239,393)</u>	<u>0</u>
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>
(239,393)	(239,393)	0
75,635	75,635	0
<u>200,191</u>	<u>200,191</u>	<u>0</u>
<u>\$36,433</u>	<u>\$36,433</u>	<u>\$0</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum) Only</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$272,519	\$0	\$272,519
Interest	0	1,662	1,662
Total Operating Revenues	<u>272,519</u>	<u>1,662</u>	<u>274,181</u>
Operating Expenses:			
Salaries and Wages	141,846	0	141,846
Fringe Benefits	37,135	0	37,135
Purchased Services	3,572	0	3,572
Supplies and Materials	10,244	0	10,244
Cost of Sales	180,292	0	180,292
Other	625	700	1,325
Depreciation	1,439	0	1,439
Total Operating Expenses	<u>375,153</u>	<u>700</u>	<u>375,853</u>
Operating Income (Loss)	<u>(102,634)</u>	<u>962</u>	<u>(101,672)</u>
Non-Operating Revenues:			
Federal Donated Commodities	40,661	0	40,661
Interest	2,067	0	2,067
Federal and State Subsidies	47,145	0	47,145
Total Non-Operating Revenues	<u>89,873</u>	<u>0</u>	<u>89,873</u>
Net Income (Loss)	(12,761)	962	(11,799)
Retained Earnings/Fund Balance at Beginning of Year	<u>4,788</u>	<u>31,426</u>	<u>36,214</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	<u>(\$7,973)</u>	<u>\$32,388</u>	<u>\$24,415</u>

See Accompanying Notes to the General Purpose Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$272,606	\$272,606	\$0	\$0	\$0	\$0
Federal and State Subsidies	54,750	54,750	0	0	0	0
Interest	2,067	2,067	0	1,661	1,661	0
Total Revenues	<u>329,423</u>	<u>329,423</u>	<u>0</u>	<u>1,661</u>	<u>1,661</u>	<u>0</u>
Expenses:						
Salaries and Wages	138,218	138,218	0	0	0	0
Fringe Benefits	36,019	36,019	0	0	0	0
Purchased Services	4,635	4,635	0	0	0	0
Supplies and Materials	151,176	151,176	0	0	0	0
Capital Outlay	1,703	1,703	0	0	0	0
Other	625	625	0	700	700	0
Total Expenses	<u>332,376</u>	<u>332,376</u>	<u>0</u>	<u>700</u>	<u>700</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses	(2,953)	(2,953)	0	961	961	0
Fund Equity at Beginning of Year	31,789	31,789	0	31,419	31,419	0
Prior Year Encumbrances Appropriated	2,444	2,444	0	0	0	0
Fund Equity at End of Year	<u>\$31,280</u>	<u>\$31,280</u>	<u>\$0</u>	<u>\$32,380</u>	<u>\$32,380</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$272,606	\$0	\$272,606
Cash Payments for Employee Services and Benefits	(174,215)	0	(174,215)
Cash Payments to Suppliers for Goods and Services	(153,465)	0	(153,465)
Other Operating Expenses	(625)	(700)	(1,325)
Net Cash Used In Operating Activities	<u>(55,699)</u>	<u>(700)</u>	<u>(56,399)</u>
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	54,750	0	54,750
Net Cash Provided By Noncapital Financing Activities	<u>54,750</u>	<u>0</u>	<u>54,750</u>
Cash Flow from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(1,108)	0	(1,108)
Net Cash Used In Capital and Related Financing Activities	<u>(1,108)</u>	<u>0</u>	<u>(1,108)</u>
Cash Flows from Investing Activities:			
Interest	2,067	1,661	3,728
Net Cash Provided By Investing Activities	<u>2,067</u>	<u>1,661</u>	<u>3,728</u>
Net Increase in Cash and Cash Equivalents	10	961	971
Cash and Cash Equivalents Beginning of Year	<u>34,233</u>	<u>31,419</u>	<u>65,652</u>
Cash and Cash Equivalents End of Year	<u>\$34,243</u>	<u>\$32,380</u>	<u>\$66,623</u>
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$102,634)	\$962	(\$101,672)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	1,439	0	1,439
Donated Commodities Received	40,661	0	40,661
Interest	0	(1,661)	(1,661)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	87	0	87
Increase in Accrued Interest Receivable	0	(1)	(1)
Increase in Inventory of Supplies and Materials	(100)	0	(100)
Decrease in Inventory Held for Resale	82	0	82
Increase in Accrued Wages Payable	1,586	0	1,586
Increase in Intergovernmental Payable	1,138	0	1,138
Increase in Compensated Absences Payable	2,042	0	2,042
Net Cash Used In Operating Activities	<u>(\$55,699)</u>	<u>(\$700)</u>	<u>(\$56,399)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$66,804	
Cash and Cash Equivalents-Agency Funds		<u>(34,424)</u>	
Cash and Cash Equivalents-Nonexpendable Trust Funds		<u>\$32,380</u>	

See Accompanying Notes to the General Purpose Financial Statements



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1956 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships. The School District is staffed by 56 non-certificated employees, 80 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,388 students and other community members. The School District currently operates 5 instructional buildings.

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

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

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

*Village of Casstown* - The village government of Casstown is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

*Village of Fletcher* - The village government of Fletcher is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

*Parent Teacher Association* - The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

The School District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are presented in Notes 18 and 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'  
Compensation Group Rating Plan

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

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

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**General Fund**

The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**2. Proprietary Fund Type:**

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

**Enterprise Funds**

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Debt Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, property taxes available as an advance, interest, tuition, grants, and student fees.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Public School Preschool Special Revenue Fund grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**C. Budgetary Data (Continued)**

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. At year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**3. Appropriations**

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**C. Budgetary Data (Continued)**

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to certificates of deposit and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits are reported at cost.

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**D. Cash and Cash Equivalents (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings: General Fund; Roberta Wilson Scholarship, Title III, Title VI-B, Vocational Education, Title I, Title VI, and Drug Free Schools Special Revenue Funds; Permanent Improvement Capital Projects Fund; Food Service Enterprise Fund; and Miami East Scholarship and Boak-Gilmer Music Scholarship Nonexpendable Trust Funds. The amounts were \$127,962, \$313, \$174, \$853, \$28, \$197, \$225, \$164, \$9,193, \$2,067, \$1,004, and \$658. The amount of interest revenue assigned to other School District funds is insignificant.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-food supplies and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**G. Restricted Assets**

Restricted assets in the General Fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of several fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of fifteen years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Career Development
- Professional Development Block Grant
- Education Management Information Systems
- School Net Professional Development
- Instructional Material Subsidy
- Ohio Reads Grant
- Summer Intervention
- Safe School Help Line
- Carl Perkins Vocational Education
- Title I
- Title III

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**I. Intergovernmental Revenues (Continued)**

**Non-Reimbursable Grants (Continued)**

**Special Revenue Funds (Continued)**

- Title VI
- Title VI-B
- Title VI-R
- Drug-Free Schools
- Public School Preschool
- E-rate
- Transforming Learning Community

**Capital Projects Funds**

- School Net
- School Net Plus
- Technology Equity

**Reimbursable Grants**

**General Fund**

- Driver Education

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 49 percent of governmental fund revenue during the 2000 fiscal year.

**J. Compensated Absences**

Vacation, compensatory time, and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time, compensatory time and personal leave when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the State of Ohio. For governmental funds, current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have been paid using current available financial resources.

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

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**O. Designation of Fund Balance**

The School District designates fund balance to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions, are subject to change and are reported as part of unreserved fund balance. Fund designations are established for textbook purchases, budget stabilization, and capital acquisition.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**O. Designation of Fund Balance (Continued)**

The designations for textbook purchases, budget stabilization, and capital acquisition represent monies set aside for textbook purchases, budget stabilization, and capital acquisition in excess of statutory requirements.

**P. Contributed Capital**

Contributed capital represents resources from other funds, federal and state grants, other governments and private sources provided to the School District's enterprise funds which are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on these assets acquired or constructed with contributed capital is expensed and closed to unreserved retained earnings at year end.

Because the School District, prior to 1995, had not prepared its financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior 1995 cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY**

At June 30, 2000, the Education Management Information Systems Special Revenue Fund and the Food Service Enterprise Fund had deficit fund balance/retained earnings of \$1,099 and \$12,341. The deficit in the Education Management Information Systems Special Revenue Fund was created by the application of generally accepted accounting principles. The deficit in the Food Service Enterprise Fund is a result of accumulated losses. The School District is analyzing food operations to determine appropriate steps to alleviate the deficit. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Miami East Local School District are included in the special revenue funds for GAAP reporting purposes.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$484,005	\$93,081	(\$87,446)
Revenue Accruals	49,338	(44,535)	4,172
Expenditure Accruals	(11,245)	9,413	(34,379)
Prepaid Items	198	0	0
Loan Principal Payments	(70,000)	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	501	0
Encumbrances	(315,469)	(48,094)	(121,740)
Budget Basis	<u>\$136,827</u>	<u>\$10,366</u>	<u>(\$239,393)</u>

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

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>
GAAP Basis	(\$12,761)	\$962
Revenue Accruals	14,176	(1)
Expense Accruals	(1,754)	0
Inventory of Supplies and Materials	100	0
Inventory Held for Resale	(82)	0
Capital Outlay	(1,108)	0
Depreciation Expense	1,439	0
Encumbrances	(2,963)	0
Budget Basis	<u>(\$2,953)</u>	<u>\$961</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risks as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$1,247,783 and the bank balance was \$1,302,040. Of the bank balance:

1. \$110,399 was covered by federal depository insurance; and
2. \$1,191,641 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The only School District investment at year end was STAR Ohio. It is an unclassified investment, with a fair value of \$1,127,137.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented per GASB Statement No. 3 is as follows:



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
GASB Statement 9	\$2,344,404	\$30,516
Investments of the Cash Management Pool:		
Certificates of Deposit	30,516	(30,516)
STAR Ohio	(1,127,137)	1,127,137
GASB Statement 3	\$1,247,783	\$1,127,137

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2000 taxes were collected are:

	<b>1999 Second- Half Collections</b>		<b>2000 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$107,593,020	86%	\$109,982,270	85%
Public Utility Real	46,720	0	42,170	0
Tangible Personal Property	17,361,330	14	18,699,510	15
<b>Total Assessed Value</b>	<b>\$125,001,070</b>	<b>100%</b>	<b>\$128,723,950</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$44.08		\$44.08	

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$66,866 in the General Fund and \$10,121 in the Permanent Improvement Capital Projects Fund.

**7. INCOME TAX**

The School District levies a voted tax of 0.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (student fees), accrued interest, and intergovernmental grants. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>AMOUNTS</u>
General Fund	
Drivers Education Reimbursement	\$ 900
Refund from Montgomery County	4,051
Open Enrollment	3,432
Tuition	<u>9,073</u>
	<u>17,456</u>
Special Revenue Funds	
Athletic	100
School Net Professional Development	1,000
Title VI-B	14,829
E-rate	<u>15,317</u>
	<u>31,246</u>
Grand Total	<u><u>\$48,702</u></u>

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$150,470
Less Accumulated Depreciation	<u>(140,430)</u>
Net Fixed Assets	<u><u>\$10,040</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2000</u>
Land and Improvements	\$733,548	\$126,356	\$0	\$859,904
Buildings and Improvements	1,174,535	83,605	0	1,258,140
Furniture, Fixtures and Equipment	1,854,680	166,858	161,685	1,859,853
Vehicles	<u>960,516</u>	<u>135,644</u>	<u>82,401</u>	<u>1,013,759</u>
Totals	<u><u>\$4,723,279</u></u>	<u><u>\$512,463</u></u>	<u><u>\$244,086</u></u>	<u><u>\$4,991,656</u></u>

There was no significant construction in progress at June 30, 2000.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide/Wausau Insurance Company for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide/Wausau Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$ 22,781,900
Inland Marine Coverage (\$100 deductible)	765,624
Boiler and Machinery (\$1,000 deductible)	8,922,888
Crime Insurance	20,000
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Umbrella	1,000,000
Fire Damage Limit (Any one fire)	100,000
Medical Expense Limit (Any one person)	5,000

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

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of the annual covered salary was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$45,768, \$53,330, and \$76,479, respectively; 36 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$29,177 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090. Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$214,584, \$182,464, and \$349,729, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$37,443 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$286,111 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.5 percent, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$88,380.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Personal leave is accrued at three days per year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Classified employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 40 hours.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 251 days for all certified personnel and 228 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 48 days except when retiring in the 30th year of cumulative experience the total shall not exceed 57 days.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through the Horace Mann Life Insurance Company. The School District also provides medical insurance through Anthem Blue Cross and Blue Shield, dental insurance through CoreSource, and vision insurance through Vision Insurance Plan to all eligible employees.

**14. FUND OBLIGATION**

On June 30, 1995, the School District entered into a seven year \$245,000 energy conservation loan for the purpose of implementing energy conservation measures at various School District buildings. This loan will be repaid with property tax revenue allocated from the General Fund. This loan is backed by the full faith and credit of the School District. The energy conservation loan has been reported in and was paid from the General Fund, the fund which had received the proceeds. The Energy Conservation Loan had \$35,000 encumbered for principal payments in the General Fund at year end.

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

	<b>Principal Outstanding 6/30/99</b>	<b>Addition s</b>	<b>Deduction s</b>	<b>Principal Outstanding 6/30/2000</b>
Energy Conservation Loan 1995 5.42%	\$140,000	\$0	\$35,000	\$105,000

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**14. FUND OBLIGATION (Continued)**

Principal and interest requirements to retire the energy conservation loan at June 30, 2000, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 35,000	\$ 5,691	\$ 40,691
2002	35,000	3,794	38,794
2003	<u>35,000</u>	<u>1,897</u>	<u>36,897</u>
Total	<u>\$105,000</u>	<u>\$11,382</u>	<u>\$116,382</u>

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<u>Amount Outstanding 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/00</u>
Intergovernmental Payable	\$46,420	\$54,277	\$46,420	\$54,277
Compensated Absences	<u>591,647</u>	<u>1,230</u>	<u>0</u>	<u>592,877</u>
Total General Long-Term Obligations	<u>\$638,067</u>	<u>\$55,507</u>	<u>\$46,420</u>	<u>\$647,154</u>

Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid.

The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's voted legal debt margin was \$11,585,156, energy conservation debt margin was \$1,053,516, and an unvoted debt margin of \$128,724 at June 30, 2000.



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**16. CONTRACTUAL COMMITMENTS**

As of June 30, 2000, the School District had contractual purchase commitments as follows:

<b>Company</b>		<b>Amount Remaining on Contract</b>
Cardinal Bus Sales & Service	72 Passenger Transit Buses	\$119,192
Copp Systems, Inc.	Install New Clock System	9,097
Centar Industries	Room Partitions	5,625
TW Estes Roofing, Inc.	Recoating Roof	11,950
JMD Architectural	Doors	9,900
Premier Fence & Deck	High School Fence	8,600
Scioto Valley	Interior Painting	7,059

**17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Miami East Local School District as of and for the fiscal year ended June 30, 2000.

	<u><b>Food Service</b></u>	<u><b>Uniform School Supplies</b></u>	<u><b>Total Enterprise Funds</b></u>
Operating Revenues	\$232,021	\$40,498	\$272,519
Depreciation Expense	1,439	0	1,439
Operating Income (Loss)	(103,322)	688	(102,634)
Federal and State Subsidies	47,145	0	47,145
Interest	2,067	0	2,067
Donated Commodities	40,661	0	40,661
Net Income (Loss)	(13,449)	688	(12,761)
Fixed Asset Additions	1,108	0	1,108
Net Working Capital	12,427	4,368	16,795
Total Assets	48,596	4,368	52,964
Long-Term			
Intergovernmental Payable	12,883	0	12,883
Long-Term Compensated			
Absences Payable	17,165	0	17,165
Total Equity (Deficit)	(7,581)	4,368	(3,213)
Encumbrances Outstanding at June 30, 2000	\$2,963	\$0	\$2,963

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS**

*Metropolitan Dayton Educational Cooperative Association* - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Education Service Center. The School District paid MDECA \$33,213.14 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

*Southwestern Ohio Educational Purchasing Council* - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the Council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, Miami East Local School District paid \$6,030.44 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representative per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher educational representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2000, the School District paid \$4,100.58 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**19. INSURANCE PURCHASING POOL**

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan* - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, the Superintendent from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**20. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**21. SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,449,553 of school foundation support for its General Fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**21. SCHOOL FUNDING COURT DECISION (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**22. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives money designated for school bus purchases. This amount is shown as a reserve for bus purchases.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**22. SET-ASIDE CALCULATIONS (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$18,041	\$106,307	\$80,070	\$204,418
Current Year Set-aside Requirement	167,745	167,745	55,915	\$391,405
Past Workers' Compensation Refunds	0	0	(26,917)	(26,917)
Current Year Offsets	0	(354,511)	0	(354,511)
Qualifying Disbursements	<u>(103,323)</u>	<u>0</u>	<u>0</u>	<u>(103,323)</u>
Total	<u>\$82,463</u>	<u>(80,459)</u>	<u>\$109,068</u>	<u>\$111,072</u>
Cash Balance carried forward to FY 2000	<u>\$82,463</u>	<u>\$0</u>	<u>\$109,068</u>	\$191,531
Amount Restricted for school bus purchases				<u>59,596</u>
Total Restricted Assets				<u>\$251,127</u>

Although the School District had offsets for capital acquisitions during the year that reduced the set-aside amount to below zero, this extra amount may not be used to reduce the set-aside requirements of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Miami East Local School District, Miami County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated October 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10355-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 27, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 27, 2000.

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

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

**Jim Petro**  
Auditor of State

October 27, 2000



**MIAMI EAST LOCAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2000**

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

<b>Finding Number</b>	<b>2000-10355-001</b>
-----------------------	-----------------------

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

This Section also provides an exception to this requirement:

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

The District did not comply with the certification requirements and did not fulfill the requirements of the exception for 8.9% of expenditures tested.

The District should implement policies and procedures to comply with the certification requirement.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MIAMI EAST LOCAL SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 5, 2000**