

MIAMI EAST LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2007

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Miami East Local School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 11, 2007

This Page is Intentionally Left Blank.

MIAMI EAST LOCAL SCHOOL DISTRICT

Table of Contents

Independent Auditors’ Report..... 1-2

Management’s Discussion and Analysis..... 3-10

Statement of Net Assets 11

Statement of Activities..... 12

Balance Sheet – Governmental Funds 13

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities 14

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 15

Reconciliation of the Statement of Revenues, Expenditures and Changes in the Fund Balances
of Governmental Funds to the Statement of Activities 16

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget
(Non-GAAP) and Actual – General Fund..... 17

Statement of Fiduciary Net Assets – Fiduciary Funds..... 18

Statement of Changes in Fiduciary Net Assets – Private Purpose Trust 19

Notes to the Basic Financial Statements 20-47

Schedule of Expenditures of Federal Awards..... 48

Notes to the Schedule of Expenditures of Federal Awards..... 49

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*..... 50-51

Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with
OMB Circular A-133 52-53

Schedule of Findings..... 54-55

Schedule of Prior Year Findings..... 56

This Page is Intentionally Left Blank.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
November 9, 2007

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Miami East Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets decreased \$267,477, which represents a 7.9 percent decrease from 2006.
- General revenues accounted for \$10,266,152 in revenue or 85.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for \$1,752,728 or 14.6 percent of total revenues of \$12,018,880.
- Total assets of governmental activities increased by \$85,962 and capital assets decreased by \$499,452.
- The School District had \$12,286,357 in expenses; only \$1,752,728 of these expenses was offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$10,266,152 plus net assets at the beginning of the year of \$3,375,575 provided for these programs.
- The General Fund had \$9,631,467 in revenues and \$9,596,833 in expenditures. The General Fund's fund balance decreased \$308,798 from 2006.

Using the Basic Financial Statements

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2007:

	Table 1		
	Net Assets		
	2006	2007	Change
Assets:			
Current and Other Assets	\$5,720,704	\$6,306,118	\$585,414
Capital Assets	15,138,421	14,638,969	(499,452)
Total Assets	<u>20,859,125</u>	<u>20,945,087</u>	<u>85,962</u>
Liabilities:			
Long-Term Liabilities	10,641,888	12,685,752	2,043,864
Other Liabilities	6,841,662	5,151,237	(1,690,425)
Total Liabilities	<u>17,483,550</u>	<u>17,836,989</u>	<u>353,439</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	3,738,429	3,050,311	(688,118)
Restricted	912,779	1,561,197	648,418
Unrestricted (deficit)	<u>(1,275,633)</u>	<u>(1,503,410)</u>	<u>(227,777)</u>
Total Net Assets	<u>\$3,375,575</u>	<u>\$3,108,098</u>	<u>(\$267,477)</u>

Total assets of governmental activities increased by \$85,962 and capital assets decreased by \$499,452. Capital assets decreased due to depreciation of existing buildings and equipment. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$227,777 mainly because the School District spent more in fiscal year 2007 than what was taken in for revenue and accretion expense on the capital appreciation bonds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Table 2 shows the changes in net assets for the fiscal years ended 2006 and 2007.

	Table 2		
	Changes in Net Assets		
	2006	2007	Change
Revenues:			
Program Revenues:			
Charges for Services	\$952,801	\$860,965	(\$91,836)
Operating Grants, Interest, and Contributions	830,002	857,943	27,941
Capital Grants, Interest, and Contributions	13,333	33,820	20,487
Total Program Revenues	1,796,136	1,752,728	(43,408)
General Revenues:			
Property Taxes	3,885,771	3,867,295	(18,476)
Income Tax	830,785	1,134,631	303,846
Grants and Entitlements	5,045,900	5,119,962	74,062
Investment Earnings	58,757	66,972	8,215
Miscellaneous	54,743	77,292	22,549
Total General Revenues	9,875,956	10,266,152	390,196
Total Revenues	11,672,092	12,018,880	346,788
Program Expenses:			
Instruction:			
Regular	5,406,963	5,499,796	92,833
Special	836,144	869,252	33,108
Vocational	128,211	183,483	55,272
Student Intervention	0	14,971	14,971
Support Services:			
Pupils	637,697	675,731	38,034
Instructional Staff	298,616	304,730	6,114
Board of Education	75,988	77,981	1,993
Administration	980,545	839,054	(141,491)
Fiscal	334,444	340,951	6,507
Business	51,438	48,115	(3,323)
Operation and Maintenance of Plant	1,016,319	1,005,001	(11,318)
Pupil Transportation	780,806	836,215	55,409
Central	200,148	267,267	67,119
Operation of Non-Instructional Services	443,193	433,076	(10,117)
Extracurricular Activities	398,531	409,004	10,473
Interest and Fiscal Charges	607,463	481,730	(125,733)
Total Expenses	12,196,506	12,286,357	89,851
Decrease in Net Assets	(524,414)	(267,477)	
Net Assets Beginning of Year	3,899,989	3,375,575	
Net Assets End of Year	\$3,375,575	\$3,108,098	

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 32.2 percent of revenues for governmental activities for the School District for fiscal year 2007.

Instruction comprises 53.5 percent of School District expenses. Support services expenses make up 35.8 percent of the expenses. Administration and fiscal/business services comprise 10.0 percent of School District expenses.

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

Table 3

	Total Cost of Services 2006	Net Cost Of Services 2006	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$6,371,318	(\$5,380,975)	\$6,567,502	(\$5,706,321)
Support Services:				
Pupils	637,697	(417,004)	675,731	(493,427)
Instructional Staff	298,616	(248,369)	304,730	(261,475)
Board of Education	75,988	(75,988)	77,981	(77,981)
Administration	980,545	(957,738)	839,054	(833,721)
Fiscal	334,444	(322,589)	340,951	(339,647)
Business	51,438	(51,438)	48,115	(48,115)
Operation and Maintenance of Plant	1,016,319	(1,013,902)	1,005,001	(1,005,001)
Pupil Transportation	780,806	(723,099)	836,215	(790,411)
Central	200,148	(182,169)	267,267	(233,159)
Operation of Non- Instructional Services	443,193	4,735	433,076	36,007
Extracurricular Activities	398,531	(297,196)	409,004	(329,863)
Interest and Fiscal Charges	607,463	(607,463)	481,730	(450,515)
Total Expenses	\$12,196,506	(\$10,273,195)	\$12,286,357	(\$10,533,629)

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. There was a considerable increase in Vocational Expenses due to the open enrollment adjustment of students from the School District to the Joint Vocational School.

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

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the district. Administration Expenses decreased due to the retirement of an administrator who was not replaced.

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public. The increase is due to the technology supervisor severance payment.

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

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

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District. The decrease in interest and fiscal charges was due to the refunding of the 2002 bonds.

The dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 86.9 percent; for all activities general revenue support is 85.7 percent.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,979,543 and expenditures of \$12,047,167. The net change in fund balances for the year in the General Fund, the Bond Retirement Fund, the Permanent Improvement Fund, and the Classroom Facilities Funds were (\$308,798), \$289,114, \$147,487, and \$2,005,048, respectively.

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

The net change in fund balance in the Bond Retirement Fund of \$289,113 was a result of less debt expenditures due to the refunding of the 2002 bonds and the School District paying part of the school improvement bonds from the Permanent Improvement Fund. The District made the decision to pay a portion of the school improvement bonds from this fund as the full collection of the bond retirement levy has yet to take place.

The increase in fund balance of \$147,487 for the Permanent Improvement Fund was a result of fewer repair and maintenance projects being incurred as a result of the newly constructed school building.

The Classroom Facilities Fund balance increased \$2,005,408 due to issuance of the 2002 refunding bonds which paid off the \$2 million note recorded in the prior year.

General Fund Budgeting Highlights

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

During the course of the fiscal year 2007, the School District amended its General Fund budget, which resulted in appropriations increasing by \$1,062,303, a 12.0 percent increase.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

For the general fund, the budget basis revenue differed from the original budgeted estimates of \$9,343,397 by \$192,886 to \$9,536,283.

During fiscal year 2007, the School District originally budgeted \$2,832,429 and \$5,164,874 for property taxes and intergovernmental revenues, respectively. The School District received \$2,929,753 in property taxes revenue, while the School District received \$5,256,562 in intergovernmental revenue.

Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Capital Assets

At the end of the fiscal year 2007, the School District had \$14,638,969 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2006 balances compared to fiscal year 2007.

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

	2006	2007
Land	\$247,182	\$247,182
Land Improvements	623,345	589,975
Buildings and Improvements	13,082,726	12,784,589
Furniture, Fixtures and Equipment	842,916	708,085
Vehicles	342,252	309,138
Totals	\$15,138,421	\$14,638,969

Overall capital assets decreased \$499,452 from fiscal year 2006 to fiscal year 2007. Increases in capital assets (primarily furniture, fixtures, equipment, and vehicles) were offset by depreciation expense for the year. The majority of equipment purchased during fiscal year 2007 was for computer equipment throughout the School District and the purchase of a school bus. For more information on capital assets, refer to Note 10 of the basic financial statements.

Debt Administration

At June 30, 2007, the School District had \$11,670,615 in total outstanding debt of bonds and notes. This figure includes accretion on capital appreciation bonds. At June 30, 2007, the School District's overall legal debt margin was \$2,709,831 and the unvoted debt margin was \$148,228. For more information on debt administration, refer to Note 16 of the basic financial statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Current Financial Issues and Concerns

The School District is proud of its community support of the public schools. The building facilities project as well as the other permanent improvement projects in progress will help keep the School District facilities in excellent physical condition and allow the Board of Education and administration to provide a stable and safe environment for students to learn. The Board of Education recognizes the expectations of the community and has allocated the resources to meet these expectations. The School District had a major company move its operations out of state, and several small companies relocate to other counties in the area. The full impact of the lost revenues was felt in fiscal year 2007. Along with the decline in the industrial tax base, the School District is experiencing a declining enrollment. These two factors along with state budget cuts contributed to a relatively stagnate growth rate in revenue from fiscal year 2006 to fiscal year 2007. The Board of Education and administration will be carefully weighing their options in order to prudently provide the necessary resources for student success now and in the future. The School District will be closely watching the five-year forecast and updating it when new information becomes available.

In May 2006, voters passed an additional 0.5 percent income tax levy which will be assessed on the income of residents and of estates. The new levy is anticipated to generate additional revenue of approximately \$825,000 per year. The additional tax was effective on January 1, 2007 and is a continuing tax. This additional income tax revenue should help stabilize the District's financial condition in the near term, however, the additional revenue will be somewhat offset in future years by reductions in property tax revenues. The reduction in property tax revenues are anticipated due to reductions in the tax rates applied to personal property as well as a general decline in the property tax base of the School District.

Contacting the School District's Financial Management

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,514,640
Cash and Cash Equivalents with Fiscal Agent	41,602
Accrued Interest Receivable	4,190
Intergovernmental Receivable	12,806
Accounts Receivable	15,703
Prepaid Items	3,147
Materials and Supplies Inventory	41,328
Income Taxes Receivable	644,486
Property Taxes Receivable	3,946,259
Deferred Charges	81,957
Nondepreciable Capital Assets	247,182
Depreciable Capital Assets, Net	14,391,787
Total Assets	20,945,087
 Liabilities:	
Accounts Payable	105,609
Accrued Wages and Benefits Payable	899,671
Matured Compensated Absences Payable	70,091
Accrued Interest Payable	35,824
Intergovernmental Payable	265,679
Unearned Revenue	3,774,363
Long-Term Liabilities:	
Due Within One Year	580,797
Due in More Than One Year	12,104,955
Total Liabilities	17,836,989
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,050,311
Restricted for:	
Capital Outlay	543,287
Other Purposes	708,940
Set-Asides	308,970
Unrestricted	(1,503,410)
Total Net Assets	\$3,108,098

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$5,499,796	\$422,134	\$37,858	\$531	(\$5,039,273)
Special	869,252	1,653	371,909	0	(495,690)
Vocational	183,483	0	27,096	0	(156,387)
Student Intervention	14,971	0	0	0	(14,971)
Support Services:					
Pupils	675,731	35,119	145,573	1,612	(493,427)
Instructional Staff	304,730	0	40,683	2,572	(261,475)
Board of Education	77,981	0	0	0	(77,981)
Administration	839,054	5,248	0	85	(833,721)
Fiscal	340,951	0	0	1,304	(339,647)
Business	48,115	0	0	0	(48,115)
Operation and Maintenance of Plant	1,005,001	0	0	0	(1,005,001)
Pupil Transportation	836,215	2,685	31,480	11,639	(790,411)
Central	267,267	0	18,031	16,077	(233,159)
Operation of Non-Instructional Services	433,076	314,985	154,098	0	36,007
Extracurricular Activities	409,004	79,141	0	0	(329,863)
Interest and Fiscal Charges	481,730	0	31,215	0	(450,515)
Total Governmental Activities	\$12,286,357	\$860,965	\$857,943	\$33,820	(10,533,629)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	2,820,338
Property Taxes, Levied for Capital Outlay	357,413
Property Taxes, Levied for Debt Service	689,544
Income Taxes	1,134,631
Grants and Entitlements not Restricted to Specific Programs	5,119,962
Investment Earnings	66,972
Miscellaneous	77,292
Total General Revenues	10,266,152

Change in Net Assets (267,477)

Net Assets Beginning of Year - (Note 3) 3,375,575
Net Assets End of Year \$3,108,098

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$60,427	\$430,293	\$514,900	\$153	\$185,699	\$1,191,472
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0	41,602	41,602
Receivables:						
Property Taxes	2,870,633	709,209	366,417	0	0	3,946,259
Income Taxes	644,486	0	0	0	0	644,486
Accounts	9,726	0	0	0	5,977	15,703
Intergovernmental	2,104	0	0	0	10,702	12,806
Accrued Interest	4,190	0	0	0	0	4,190
Materials and Supplies Inventory	31,170	0	0	0	10,158	41,328
Prepaid Items	3,147	0	0	0	0	3,147
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	323,168	0	0	0	0	323,168
Total Assets	\$3,949,051	\$1,139,502	\$881,317	\$153	\$254,138	\$6,224,161
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$88,929	\$0	\$2,035	\$0	\$14,645	\$105,609
Accrued Wages and Benefits Payable	848,475	0	0	0	51,196	899,671
Intergovernmental Payable	247,978	0	0	0	17,701	265,679
Deferred Revenue	2,901,700	685,194	354,392	0	2,438	3,943,724
Matured Compensated Absences Payable	70,091	0	0	0	0	70,091
Total Liabilities	4,157,173	685,194	356,427	0	85,980	5,284,774
Fund Balances:						
Reserved for Encumbrances	175,235	0	93,252	0	21,073	289,560
Reserved for Property Taxes	90,761	24,015	12,025	0	0	126,801
Reserved for Textbook Purchases	308,970	0	0	0	0	308,970
Reserved for Bus Purchases	14,198	0	0	0	0	14,198
Unreserved, Undesignated, (Deficit) Reported in:						
General Fund	(797,286)	0	0	0	0	(797,286)
Special Revenue Funds	0	0	0	0	147,085	147,085
Debt Service Fund	0	430,293	0	0	0	430,293
Capital Projects Funds	0	0	419,613	153	0	419,766
Total Fund Balances (Deficit)	(208,122)	454,308	524,890	153	168,158	939,387
Total Liabilities and Fund Balances	\$3,949,051	\$1,139,502	\$881,317	\$153	\$254,138	\$6,224,161

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances \$939,387

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

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

Land	247,182	
Land Improvements	920,020	
Buildings and Improvements	14,231,195	
Furniture, Fixtures, and Equipment	1,916,403	
Vehicles	1,275,718	
Accumulated Depreciation	(3,951,549)	
		14,638,969

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

Property Taxes Receivable	45,095	
Income Taxes Receivable	114,439	
Accounts Receivable	9,083	
Accrued Interest Receivable	744	
		169,361

Bond issuance costs, reported as an expenditure in governmental funds, are allocated as an expense over the life of the debt on a full accrual basis.

81,957

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

These liabilities consist of:

Accrued Interest Payable	(35,824)	
Accretion of Capital Appreciation Bonds	(373,956)	
Bonds Payable	(11,084,990)	
Deferred Amount on Refunding	358,593	
Premium on Debt Issued	(570,262)	
Compensated Absences	(1,015,137)	
Total Liabilities		(12,721,576)

Net Assets of Governmental Activities

\$3,108,098

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Bond Retirement	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$2,820,619	\$688,938	\$357,251	\$0	\$0	\$3,866,808
Income Taxes	1,092,644	0	0	0	0	1,092,644
Intergovernmental	5,253,399	84,597	52,693	0	538,760	5,929,449
Interest	66,706	31,215	21,794	6	8,246	127,967
Tuition and Fees	376,955	0	0	0	40,267	417,222
Extracurricular Activities	2,521	0	0	0	132,976	135,497
Gifts and Donations	3,850	0	1,612	0	15,559	21,021
Customer Sales and Services	3,046	0	0	0	308,807	311,853
Miscellaneous	11,727	0	30,899	0	34,456	77,082
Total Revenues	9,631,467	804,750	464,249	6	1,079,071	11,979,543
Expenditures:						
Current:						
Instruction:						
Regular	5,150,526	0	2,625	0	105,586	5,258,737
Special	546,081	0	0	0	292,779	838,860
Vocational	177,985	0	0	0	969	178,954
Student Intervention	14,971	0	0	0	0	14,971
Support Services:						
Pupils	256,679	0	12,710	0	354,810	624,199
Instructional Staff	197,657	0	0	0	74,095	271,752
Board of Education	77,981	0	0	0	0	77,981
Administration	796,641	2	421	0	8,636	805,700
Fiscal	300,119	12,408	6,443	0	16,439	335,409
Business	44,099	0	0	0	0	44,099
Operation and Maintenance of Plant	768,567	0	0	0	3,946	772,513
Pupil Transportation	726,547	0	57,521	0	20,435	804,503
Central	238,822	0	27,985	0	29,714	296,521
Operation of Non-Instructional Services	2,599	0	0	0	396,538	399,137
Extracurricular Activities	288,038	0	0	0	91,187	379,225
Capital Outlay	9,521	0	158,974	0	6,974	175,469
Debt Service:						
Principal Retirement	0	264,917	50,083	0	0	315,000
Interest and Fiscal Charges	0	291,388	0	77,229	0	368,617
Issuance Costs	0	68,639	0	16,881	0	85,520
Total Expenditures	9,596,833	637,354	316,762	94,110	1,402,108	12,047,167
Excess of Revenues Over (Under) Expenditures	34,634	167,396	147,487	(94,104)	(323,037)	(67,624)
Other Financing Sources:						
Transfers In	0	0	0	99,154	343,432	442,586
Refunding Bonds Issued	0	8,215,000	0	1,999,998	0	10,214,998
Premium on Refunding Bonds Issued	0	595,056	0	0	0	595,056
Transfers Out	(343,432)	(99,154)	0	0	0	(442,586)
Payment to Refunded Bond Escrow Agent	0	(8,589,184)	0	0	0	(8,589,184)
Total Other Financing Sources	(343,432)	121,718	0	2,099,152	343,432	2,220,870
Net Change in Fund Balances	(308,798)	289,114	147,487	2,005,048	20,395	2,153,246
Fund Balance (Deficit) at Beginning of Year - Restated Note 3	100,676	165,194	377,403	(2,004,895)	147,763	(1,213,859)
Fund Balance (Deficit) at End of Year	(\$208,122)	\$454,308	\$524,890	\$153	\$168,158	\$939,387

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$2,153,246

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

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

In the current period, these amounts are:

Capital Outlay	111,892	
Current Year Depreciation Expense	<u>(610,712)</u>	
Excess of Capital Outlay over Depreciation Expense		(498,820)

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

Loss on Disposal of Capital Assets		(632)
------------------------------------	--	-------

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

School Improvement Bonds	315,000	
Payment to Refunded Bond Escrow Agent	<u>8,589,184</u>	
		8,904,184

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

Accretion of Capital Appreciation Bonds	(120,052)	
Decrease in Accrued Interest Payable	1,299	
Bond Issuance Costs (Deferred Charges)	85,520	
Amortization of Bond Issuance Costs (Deferred Charges)	(3,563)	
Amortization of Deferred Amount on Refunding	(15,591)	
Amortization of Bond Premium	<u>24,794</u>	
		(27,593)

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

Deferred revenues changed by these amounts:

Property Taxes	487	
Income Taxes	41,987	
Accounts Receivable	(3,397)	
Interest	<u>260</u>	
		39,337

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

Bonds Issued	(10,214,998)	
Premium on Debt Issued	(595,056)	
Increase in Compensated Absences	<u>(27,145)</u>	
		<u>(10,837,199)</u>

Change in Net Assets of Governmental Activities	<u><u>(\$267,477)</u></u>
---	---------------------------

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGED IN FUND BALANCES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$2,832,429	\$2,929,753	\$2,929,753	\$0
Income Taxes	968,472	886,139	886,139	0
Intergovernmental	5,164,874	5,256,562	5,256,562	0
Interest	55,000	65,422	65,422	0
Tuition and Fees	308,000	376,319	376,319	0
Extracurricular Activities	2,400	2,521	2,521	0
Gifts and Donations	0	3,850	3,850	0
Customer Sales and Services	1,300	3,046	3,046	0
Miscellaneous	10,865	9,706	9,706	0
Total Revenues	<u>9,343,340</u>	<u>9,533,318</u>	<u>9,533,318</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,753,106	4,519,395	4,519,395	0
Special	596,997	515,862	515,862	0
Vocational	122,043	113,512	113,512	0
Other	18,926	660,400	660,400	0
Support Services:				
Pupils	309,065	255,467	255,467	0
Instructional Staff	218,160	200,769	200,769	0
Board of Education	7,125	78,067	78,067	0
Administration	819,196	815,590	815,590	0
Fiscal	210,603	298,700	298,700	0
Business	51,761	54,400	54,400	0
Operation and Maintenance of Plant	819,028	878,275	878,275	0
Pupil Transportation	474,564	704,128	704,128	0
Central	175,970	215,825	215,825	0
Operation of Non-Instructional Services	500	3,030	3,030	0
Extracurricular Activities	296,865	284,313	284,313	0
Capital Outlay	15,269	10,316	10,316	0
Total Expenditures	<u>8,889,178</u>	<u>9,608,049</u>	<u>9,608,049</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>454,162</u>	<u>(74,731)</u>	<u>(74,731)</u>	<u>0</u>
Other Financing Sources and Uses				
Refund of Prior Year Expenditure	0	2,908	2,908	0
Transfers Out	0	(343,432)	(343,432)	0
Advances In	57	57	57	0
Total Other Financing Sources (Uses)	<u>57</u>	<u>(340,467)</u>	<u>(340,467)</u>	<u>0</u>
Net Change in Fund Balance	454,219	(415,198)	(415,198)	0
Fund Balance at Beginning of Year	394,421	394,421	394,421	0
Prior Year Encumbrances Appropriated	192,863	192,863	192,863	0
Fund Balance at End of Year	<u>\$1,041,503</u>	<u>\$172,086</u>	<u>\$172,086</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$21,016</u>	<u>\$63,469</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	500	420
Undistributed Monies	0	1,898
Due to Students	0	61,151
Total Liabilities	<u>500</u>	<u>\$63,469</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>\$20,516</u>	

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$1,061
Deductions:	
Payments in Accordance with Trust Agreements	<u>1,274</u>
Change in Net Assets	(213)
Net Assets Beginning of Year	<u>20,729</u>
Net Assets End of Year	<u><u>\$20,516</u></u>

See Accompanying Notes to the Basic Financial Statements

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships. The School District is staffed by 52 non-certificated employees, 80 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,321 students. The School District currently operates 3 instructional buildings.

Reporting Entity

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

1. Governmental Funds

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

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

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

Bond Retirement Fund – The Bond Retirement Debt Service Fund accounts for property tax revenues and state exemption reimbursements collected for the payment of general obligation bonded debt.

Permanent Improvement Fund – The Permanent Improvement Capital Projects Fund accounts for property tax revenues and state exemption reimbursements collected for the purchase of capital assets.

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

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

2. Fiduciary Funds

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

C. Measurement Focus

1. Government-wide Financial Statements

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

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, tuition, student fees, grants, and interest.

2. Unearned/Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

3. Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

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

During fiscal year 2007, the School District invested in STAROhio (State Treasury Asset Reserve of Ohio).

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

Following Ohio Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$66,706 which includes \$20,954 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Restricted Assets

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

I. Capital Assets

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Compensated Absences

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

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

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

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

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

M. Gain on Advance Refunding

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

N. Net Assets

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

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

The government-wide statement of net assets reports \$1,561,197 of restricted net assets of which none are restricted by enabling legislation.

O. Fund Balance Reserves

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

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

P. Interfund Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

Q. Estimates

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

R. Budgetary Process

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2007, the School District implemented *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School's financial statements for fiscal year 2007.

RESTATEMENT OF PRIOR YEAR FUND BALANCE/NET ASSETS

During fiscal year 2007, errors in the calculation of accrued wages were discovered that resulted in the following restatement of fund balance for the General and Non-Major Funds, and Governmental Net Assets.

	General Fund	Non-Major Funds	Total
Fund Balance June 30, 2006	\$219,781	\$155,833	\$375,614
Accrued Wages and Benefits	(119,105)	(8,070)	(127,175)
Adjusted Fund Balance June 30, 2006	\$100,676	147,763	\$248,439
		Net Assets	
Net Assets June 30, 2006		\$3,502,750	
Accrued Wages and Benefits		(127,175)	
Adjusted Fund Balance June 30, 2006		\$3,375,575	

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

4. ACCOUNTABILITY

The General, Athletic, Title I, and Title II-A Special Revenue Funds had deficit fund balances at June 30, 2007, of \$208,122, \$1,504, \$284, and \$141, respectively. The deficit in the General Fund exists because significant revenues have not been generated to cover expenditures. The deficits in the Special Revenue funds are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for the deficits and provides operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	
GAAP Basis	(\$308,798)
Net Adjustment for Revenue Accruals	(98,149)
Net Adjustment for Expenditure Accruals	206,348
Advances	57
Prepaid Items	(3,147)
Adjustment for Encumbrances	(211,509)
Budget Basis	(\$415,198)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$377,189 of the School District's bank balance of \$477,189 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's agent or trust department but not in the name of the School District.

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

Investments

As of June 30, 2007 the School District's only investment of \$1,170,369 was in STAROhio, which has an average maturity of 39 days. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually,

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$90,761 in the General Fund, \$24,015 in the Bond Retirement Fund, and \$12,025 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2006, was \$199,895 in the General Fund, \$52,662 in the Bond Retirement Fund, and \$26,976 in the Permanent Improvement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second – Half Collections		2007 First – Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$138,740,050	91.29%	\$141,846,480	92.35%
Real Property	32,530	0.02	35,850	0.02
General Business Personal	13,205,255	8.69	11,712,080	7.63
Total	\$151,977,835	100.00%	\$153,594,410	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$49.38		\$49.38	

8. INCOME TAX

On January 1, 1992 the District levied a voted 0.5 percent income tax and on January 1, 2007 the District levied an additional 0.5 percent for a total income tax of 1.0 percent. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

9. RECEIVABLES

Receivables at June 30, 2007, consisted of property and income taxes, accounts (tuition, and student fees), intergovernmental grants, and accrued interest. All receivables are considered collectible in full and will be received within one year.

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Miami Valley Career Technology Substitute Reimbursement	\$390
Montgomery County ESC Assessment Fee	125
Montgomery County ESC Hearing Impairment Program Fee	107
Montgomery County ESC Physical Therapy Fee	1,482
Federal Lunch Reimbursements	10,702
Total Intergovernmental Receivables	\$12,806

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Deductions	Balance 6/30/07
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$247,182	\$0	\$0	\$247,182
Total Capital Assets, not Being Depreciated	247,182	0	0	247,182
Capital Assets, Being Depreciated:				
Land Improvements	920,020	0	0	920,020
Buildings and Improvements	14,231,195	0	0	14,231,195
Furniture, Fixtures, and Equipment	1,881,846	46,292	(11,735)	1,916,403
Vehicles	1,255,775	65,600	(45,657)	1,275,718
Total Capital Assets, Being Depreciated	18,288,836	111,892	(57,392)	18,343,336
Less Accumulated Depreciation:				
Land Improvements	(296,675)	(33,370)	0	(330,045)
Buildings and Improvements	(1,148,469)	(298,137)	0	(1,446,606)
Furniture, Fixtures, and Equipment	(1,038,930)	(180,491)	11,103	(1,208,318)
Vehicles	(913,523)	(98,714)	45,657	(966,580)
Total Accumulated Depreciation	(3,397,597)	(610,712) *	56,760	(3,951,549)
Capital Assets, Being Depreciated, Net	14,891,239	(498,820)	(632)	14,391,787
Governmental Activities Capital Assets, Net	\$15,138,421	(\$498,820)	(\$632)	\$14,638,969

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$233,220
Special	25,607
Vocational	3,106
Support Services:	
Pupils	49,371
Instructional Staff	31,149
Administration	30,723
Fiscal	720
Business	4,016
Operation and Maintenance of Plant	57,195
Pupil Transportation	98,181
Operation of Non-Instructional Services	38,244
Extracurricular Activities	39,180
Total Depreciation Expense	<u><u>\$610,712</u></u>

11. RISK MANAGEMENT

A. Property and Liability

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

Coverage includes:

Building and Contents-replacement cost (\$5,000 deductible)	\$26,264,600
Automobile Liability (no deductible)	1,000,000
Uninsured/Underinsured Motorists (no deductible)	250,000
Inland Marine Coverage (\$1,000 deductible)	1,516,574
Crime Insurance (\$1,000 deductible)	25,000
Education General Liability:	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Electronic Data Loss – Each Incident	50,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Excess Liability	1,000,000

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

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$121,984, \$127,641, and \$142,478, respectively; 42.68 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$611,740, \$597,845, and, 569,372 respectively; 82.57 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$280 made by the School District and \$8,396 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, four members of the Board of Education have elected Social Security. The remaining Board member contributes to SERS. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year-ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$47,057 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year-ended June 30, 2006, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$57,662.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently eligible to receive health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 300 days for all certified personnel and 274 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation (certified staff – not to exceed 72.50 days; classified staff --not to exceed 64.75 days).

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through the Horace Mann Life Insurance Company. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (Note 18). The School District also provides dental insurance through CoreSource, and vision insurance through Vision Insurance Plan to all eligible employees.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

C. Deferred Compensation Plan

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

15. FUND OBLIGATIONS

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

	<u>Balance at 6/30/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/07</u>
School Improvement Bond Anticipation Note 4.125% - 2006	\$2,000,000	\$0	\$2,000,000	\$0

On June 8, 2006, the School District issued a one-year \$2,000,000 School Improvement Bond Anticipation Note for the purpose of constructing the K-8 school building including equipment. The fiscal year 2006 note was issued at a 4.125 percent interest rate and matured on June 7, 2007.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Amount Outstanding 6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
School Improvement Serial Bonds 2002 2.85-5.125% - \$5,405,000	\$4,805,000	\$0	(\$4,140,000)	\$665,000	\$325,000
School Improvement Term Bonds 2002 2.85-5.125% - \$4,390,000	4,390,000	0	(4,390,000)	0	0
School Improvement Original Issue of Capital Appreciation Bonds 2002 24.56% - \$204,992	204,992	0	0	204,992	0
Accretion on 2002 Capital Appreciation Bonds	253,904	100,446	0	354,350	0
School Improvement Refunding Serial Bonds 2007 4.00-4.25% - \$3,450,000	0	3,450,000	0	3,450,000	140,000
School Improvement Refunding Term Bonds 2007 4.25-4.50% - \$6,020,000	0	6,020,000	0	6,020,000	0
School Improvement Refunding Capital Appreciation Bonds 2007 11.85-11.979% - \$744,997	0	744,998	0	744,998	0
Accretion on 2007 Refunding Capital Appreciation Bonds	0	19,606	0	19,606	0
Deferred Amount on Refunding Premium on Debt Issue	0	(374,184)	15,591	(358,593)	
	0	595,056	(24,794)	570,262	
Total Long-Term Debt	<u>9,653,896</u>	<u>10,555,922</u>	<u>(8,539,203)</u>	<u>11,670,615</u>	<u>465,000</u>
Compensated Absences	987,992	107,974	(80,829)	1,015,137	115,797
Total Governmental Activities Long-Term Liabilities	<u>\$10,641,888</u>	<u>\$10,663,896</u>	<u>(\$8,620,032)</u>	<u>\$12,685,752</u>	<u>\$580,797</u>

School Improvement Bonds - On June 1, 2002, Miami East Local School District issued \$9,999,992 in school improvement general obligation bonds. The bonds were issued for a 28-year period with final maturity to occur during fiscal year 2030. The serial bonds were refunded in the amount of \$3,825,000. The term bonds were refunded in the amount of \$4,390,000.

The 2002 capital appreciation bonds issued at \$204,992 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 thru 2014, with a maturity amount of \$350,000 each year. For fiscal year 2007, the capital appreciation bonds were accreted \$100,446.

The 2007 School Improvement Refunding Bonds were issued March 29, 2007, for the purpose of advance refunding the \$8,215,000 outstanding School Improvement Bonds. The net proceeds of \$8,589,184 (after payments of \$85,520 in underwriting fees, insurance and other issuance costs)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. As a result, \$8,215,000 of the 2002 bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. A portion of the proceeds were used to pay off a \$2,000,000 note.

The refunding resulted in a difference of \$374,184 between the net carrying amount of the old debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized amount of the difference at June 30, 2007, was \$358,953. Total debt service payments decreased by \$1,055,530 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$877,189.

During the fiscal year the School District has defeased School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District financial statements. As of June 30, 2007 \$8,215,000 of the School Improvement Bonds were unmatured and unpaid.

The Current Interest Refunding Bonds due December 1, 2021 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2020 at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2020	\$605,000

Unless otherwise called for redemption, the remaining \$640,000 principal amount of the Bonds due December 1, 2021 is to be paid at stated maturity.

The Current Interest Refunding Bonds due December 1, 2024 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023 at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2023	\$700,000

Unless otherwise called for redemption, the remaining \$735,000 principal amount of the Bonds due December 1, 2024 is to be paid at stated maturity.

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

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

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

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

The 2007 capital appreciation bonds issued at \$744,998 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 thru 2018, with a maturity amount of \$530,000 in fiscal years 2015 through 20017, and \$540,000 in fiscal year 2018. For fiscal year 2007, the capital appreciation bonds were accreted \$19,606.

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

The School District's overall legal debt margin was \$2,709,831 and the unvoted debt margin was \$148,228 at June 30, 2007.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007, are as follows:

School Improvement General Obligation Bonds

Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2008	\$0	\$0	\$465,000	\$421,073	\$0	\$0	\$886,073
2009	0	0	470,000	403,285	0	0	873,285
2010	0	0	80,000	392,710	61,793	288,207	822,710
2011	0	0	100,000	389,110	49,014	300,986	839,110
2012	0	0	135,000	384,410	38,882	311,118	869,410
2013-2017	0	0	300,000	751,420	641,649	1,648,351	4,450,550
2018-2022	1,245,000	596,451	1,135,000	694,520	158,652	381,348	4,580,681
2023-2027	2,240,000	559,544	1,430,000	424,154	0	0	4,653,698
2028-2030	2,535,000	170,213	0	0	0	0	2,705,213
Totals	\$6,020,000	\$1,326,208	\$4,115,000	\$3,860,682	\$949,990	\$2,930,010	\$20,680,730

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

17. INTERFUND ASSETS/LIABILITIES AND TRANSFERS

The General Fund had transfers out to the nonmajor funds of \$343,432. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds. The transfer between the Bond Retirement Debt Service Fund and Classroom Facilities Capital Projects fund was made to record the debt activity associated with the refunding of the \$2 million bond anticipation note.

18. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the General Fund. The School District paid MDECA \$46,139 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are generally made from the General Fund. During fiscal year 2007, the School District had no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the School District paid \$2,700 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

19. SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2006	\$276,980	\$0
Current Fiscal Year Set-aside Requirement	187,947	187,947
Current Fiscal Year Offsets	0	(372,202)
Qualifying Disbursements	(155,957)	0
Totals	\$308,970	(\$184,255)
Set-aside Balances Carried Forward to Future Fiscal Years	\$308,970	\$0
Set-aside Reserve Balance at June 30, 2007	\$308,970	\$0

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

20. CONTINGENCIES

A. Federal and State Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigations

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 (Continued)**

21. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2007, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/07</u>
Dennis Long	\$9,150	\$6,000	\$3,150
Glaser Softwater Inc.	11,245	0	11,245
Heilberger Paving, Inc.	2,875	0	2,875
Miami County Sheriff's Office	14,949	0	14,949
Michael J. Maniaci, Jr.	13,500	3,600	9,900
Reliable Electrical Mechanical	36,349	3,587	32,762
SFC Limited LLC	8,400	0	8,400
Total	<u>\$96,468</u>	<u>\$13,187</u>	<u>\$83,281</u>

Miami East Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Food Distribution Program	NN-N1	10.550	59,445	57,923
Nutritional Cluster:				
National School Lunch Program	04-PU	10.555	<u>78,721</u>	<u>78,721</u>
Total U.S. Department of Agriculture			<u>138,166</u>	<u>136,644</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	81,060	81,060
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	235,573	235,573
Preschool Disabilities Grant (1)	PG-S1	84.173	<u>6,230</u>	<u>6,709</u>
Total Special Education Cluster			<u>241,803</u>	<u>242,282</u>
Drug Free Schools and Communities	DR-S1	84.186	6,320	6,429
Title VI - Innovative Education Grant	C2-S1	84.298	2,407	3,022
Title II-D - Technology	TJ-S1	84.318	2,128	2,194
Improving Teacher Quality	TR-S1	84.367	<u>33,966</u>	<u>33,966</u>
Total Passed Through Ohio Department of Education			<u>367,684</u>	<u>368,953</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>505,850</u>	\$ <u>505,597</u>

(1) This grant is passed through the Miami County Educational Service Center

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007**

1. SIGNIFICANT ACCOUNTING POLICES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Miami East Local School District. The schedule has been prepared on the cash basis of accounting.

2. U.S. DEPARTMENT OF AGRICULTURE

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2007, the District had no significant food commodities in inventory.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated November 9, 2007.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio
November 9, 2007



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Miami East Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the finance committee, others within the entity, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 9, 2007

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

MIAMI EAST LOCAL SCHOOL DISTRICT
JUNE 30, 2007

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified								
(d)(1)(ii)	Was there any material weaknesses reported at the financial statement level (GAGAS)?	No								
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No								
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No								
(d)(1)(iv)	Was there any material weaknesses reported for major federal programs?	No								
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No								
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified								
(d)(1)(vi)	Are there any reportable findings under §.510?	No								
(d)(1)(vii)	Major Programs (list):	<table style="width: 100%; border: none;"> <tr> <td style="text-align: left;"><u>Program</u></td> <td style="text-align: right;"><u>CFDA#</u></td> </tr> <tr> <td>Special Education</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cluster</td> <td style="text-align: right;">84.027 & 84.173</td> </tr> <tr> <td>Title II-A</td> <td style="text-align: right;">84.367</td> </tr> </table>	<u>Program</u>	<u>CFDA#</u>	Special Education		Cluster	84.027 & 84.173	Title II-A	84.367
<u>Program</u>	<u>CFDA#</u>									
Special Education										
Cluster	84.027 & 84.173									
Title II-A	84.367									
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others								
(d)(1)(ix)	Low Risk Auditee?	No								

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

None

MIAMI EAST LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2007

None



Mary Taylor, CPA
Auditor of State

MIAMI EAST LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2007**