

NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2008

With Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Education
New Miami Local School District
600 Seven Mile Avenue
Hamilton, Ohio 45011

We have reviewed the *Independent Auditors' Report* of the New Miami Local School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. 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 New Miami Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 24, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements. These financial statements are the responsibility of the School 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 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 New Miami Local School District as of June 30, 2008, and the respective changes in financial position, thereof 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 October 28, 2008, on our consideration of the School 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 9 and 36 through 37, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the New Miami Local School 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.

Cincinnati, Ohio
October 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District for the year ended June 30, 2008. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2008 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$12.9 million. Of this amount, \$10.8 million is invested in capital assets, net of related debt.
- ✓ In total, net assets increased by approximately \$122,000.
- ✓ The School District had \$7.7 million in expenses related to governmental activities; only \$1.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$6.2 million, made up primarily of property taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance increased by approximately \$187,000 from \$1,666,044 at June 30, 2007 to \$1,853,497 at June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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Management's Discussion and Analysis
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The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

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Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget of the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2008:

		<u>FY2008</u>	<u>FY2007</u>
Current and other assets	\$	4,492,148	4,244,262
Capital assets		<u>12,695,021</u>	<u>12,922,950</u>
Total assets		<u>17,187,169</u>	<u>17,167,212</u>
Long-term liabilities		2,186,354	2,318,948
Other liabilities		<u>2,065,610</u>	<u>2,035,120</u>
Total liabilities		<u>4,251,964</u>	<u>4,354,068</u>
Net assets:			
Invested in capital assets, net of debt		10,763,021	10,883,950
Restricted:			
For capital purposes		-	5,106
For debt service		232,903	209,939
For other purposes		114,011	121,819
Unrestricted		<u>1,825,270</u>	<u>1,592,330</u>
Total net assets	\$	<u>12,935,205</u>	<u>12,813,144</u>

Current assets increased primarily due to an approximate \$251,000 increase in cash and investments as a result of favorable operating results. Capital assets decreased due to the recognition of approximately \$324,000 of depreciation which was only partially offset by capital asset additions of approximately \$96,000. The School District, in recent years, completed the construction and renovation of its school facilities. Long-term liabilities decreased primarily due to the payment of regularly scheduled bond and lease purchase agreements which totaled approximately \$107,000.

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B. Governmental Activities during fiscal year 2008

The following table presents a condensed summary of the School District's activities during fiscal year 2008 and the resulting change in net assets:

	<u>FY2008</u>	<u>FY2007</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 215,941	200,847
Operating grants and contributions	1,380,359	1,352,546
Total program revenues	<u>1,596,300</u>	<u>1,553,393</u>
General revenues:		
Property and income taxes	1,722,281	1,726,524
Grants and entitlements	4,246,091	4,253,265
Investment earnings	99,805	123,981
Miscellaneous	135,481	57,458
Total general revenues	<u>6,203,658</u>	<u>6,161,228</u>
Total revenues	<u>7,799,958</u>	<u>7,714,621</u>
Expenses:		
Instruction	4,097,123	4,093,048
Support services:		
Pupil	229,724	254,374
Instructional staff	234,797	196,183
Board of Education	60,065	47,870
Administration	870,583	893,630
Fiscal	177,089	177,826
Business	78,767	60,726
Operation and maintenance of plant	823,058	785,441
Pupil transportation	384,567	388,113
Central	1,218	2,032
Non-instructional services	160,592	152,015
Interest and fiscal charges	97,230	102,047
Food services	463,084	376,636
Total expenses	<u>7,677,897</u>	<u>7,529,941</u>
Change in net assets	<u>\$ 122,061</u>	<u>184,680</u>

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Total revenues only grew by approximately 1% during the year ended June 30, 2008. There were slight increases in charges for services and operating grants, offset by lower investment earnings due to lower interest rates throughout the fiscal year.

The increase in total expenses was approximately 2% during the year ended June 30, 2008 and is predominately due to increases in employees salaries and wages as well as inflationary cost increases in goods and services.

Of the total governmental activities revenues of \$7,799,958, \$1,596,300 (20%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 28% (\$1,722,281) comes from property and income taxes and 68% (\$4,246,091) is from state funding. The School District's operations are reliant upon its property tax levy and the State's foundation program.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 21% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$4,097,123 but program revenue contributed to fund 25% of those costs. Thus, general revenues of \$3,077,209 were used to support of remainder of the instruction costs.

Governmental Activities

	Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$ 4,097,123	1,019,914	25%	3,077,209
Support services	2,859,868	51,336	2%	2,808,532
Non-instructional services	160,592	61,626	38%	98,966
Food services	463,084	463,424	100%	(340)
Interest and fiscal charges	97,230	-	0%	97,230
Total	\$ 7,677,897	1,596,300	21%	6,081,597

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2008
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FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$3,714,355 (81%) of the total \$4,591,358 governmental funds assets.

Fund balance at June 30, 2008 was \$1,853,497, with an unreserved fund balance of \$1,802,641. The fund balance increased by \$187,453. The unreserved fund balance represents approximately 32% of current-year general fund expenditures. During the current year revenues remained relatively flat, but the School District was able to continue positive operating results by limiting the increase in General Fund expenditures to approximately 3%.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Significant differences between the original and final budgets were as follows: Income tax collections were estimated at \$420,000 and actual receipts were \$602,000. The Finder Program through the Department of Taxation is helping to collect delinquent taxes for the School District. The School District received large tax assessment payments in July, 2007 and April, 2008. The Department of Taxation has advised us not to expect those kinds of payments in future years.

Significant differences between the actual and final budgets exist due to the School District's budget methodology. The School District's budget is passed with expenditures and other uses equal to the estimated available resources. Thus, the School District "over budgets" expenditures and budgets for contingencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2008, the School District had invested in a broad range of capital assets, including land, buildings and equipment. The School District had very little capital asset activity during the year ended June 30, 2008 due in large part to constructing new buildings four years ago. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY2008</u>	<u>FY2007</u>
Land	\$	428,932	428,932
Buildings and improvements		12,065,183	12,339,392
Equipment and furniture		200,906	154,626
Total	\$	<u>12,695,021</u>	<u>12,922,950</u>

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Debt

During the year ended June 30, 2008, the School District made its regularly scheduled payments for general obligation bonds and the lease-purchase agreement. As of June 30, 2008, the School District's obligations for general obligation bonds and the lease-purchase agreement are \$1,932,000 which are payable over the next fifteen years. See Note 11 to the financial statements for more detail.

ECONOMIC FACTORS

The formula aide per pupil increased to \$5,565 in fiscal year 2008 and \$5,732 in fiscal year 2009 under the Governor's budget bill. However, due to a decline in enrollment, the School District would have received less funding, thus putting the School District on the guarantee. Therefore, the School District will receive the same amount in fiscal year 2009 that it received in fiscal year 2007.

House Bill 66 phases out the tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property (which is public utility property) will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. At the same time, the bill replaces the revenue lost due to phasing out the tax. In the first five years, school districts are reimbursed fully for lost revenue. In the following seven years, the reimbursements are phased out. Therefore, the School District will lose \$176,000 in tax revenues at that time.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and 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 the Treasurer's office at the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 2,643,122
Receivables:	
Taxes	1,724,327
Accounts	1,047
Intergovernmental	117,875
Supplies inventory	5,777
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>12,266,089</u>
Total assets	<u>17,187,169</u>
Liabilities:	
Accounts payable	33,289
Accrued wages and benefits	556,894
Intergovernmental payable	172,351
Unearned revenue	1,295,367
Accrued interest payable	7,709
Noncurrent liabilities:	
Due within one year	177,767
Due within more than one year	<u>2,008,587</u>
Total liabilities	<u>4,251,964</u>
Net Assets:	
Invested in capital assets, net of related debt	10,763,021
Restricted for:	
Debt service	232,903
Other purposes	114,011
Unrestricted	<u>1,825,270</u>
Total net assets	<u>\$ 12,935,205</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2008

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,664,406	26,859	755,436	(2,882,111)
Special education	371,281	-	183,779	(187,502)
Adult/continuing	61,436	-	53,840	(7,596)
Support services:				
Pupil	229,724	-	-	(229,724)
Instructional staff	234,797	-	32,221	(202,576)
Board of Education	60,065	-	-	(60,065)
Administration	870,583	-	19,115	(851,468)
Fiscal	177,089	-	-	(177,089)
Business	78,767	-	-	(78,767)
Operation and maintenance of plant	823,058	-	-	(823,058)
Pupil transportation	384,567	-	-	(384,567)
Central	1,218	-	-	(1,218)
Non-instructional services:				
Extracurricular activities	160,592	61,626	-	(98,966)
Food service	463,084	127,456	335,968	340
Interest on long-term debt	97,230	-	-	(97,230)
Total Governmental Activities	\$ 7,677,897	215,941	1,380,359	(6,081,597)
General Revenues:				
Property taxes, levied for general purposes				979,032
Property taxes, levied for debt services				176,356
Income taxes				566,893
Grants and entitlements not restricted to specific programs				4,246,091
Investment earnings				99,805
Miscellaneous				135,481
Total general revenues				6,203,658
Change in net assets				122,061
Net assets beginning of year				12,813,144
Net assets end of year				<u>12,935,205</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 2,128,402	514,720	2,643,122
Receivables:			
Taxes	1,483,226	241,101	1,724,327
Accounts	371	676	1,047
Intergovernmental	-	117,875	117,875
Materials and supplies inventory	3,146	2,631	5,777
Interfund receivable	99,210	-	99,210
Total assets	<u>3,714,355</u>	<u>877,003</u>	<u>4,591,358</u>
Liabilities:			
Accounts payable	18,519	14,770	33,289
Accrued wages and benefits	421,106	135,788	556,894
Intergovernmental payable	159,906	12,445	172,351
Interfund payable	-	99,210	99,210
Compensated absences payable	18,496	18,496	36,992
Deferred revenue	1,242,831	230,978	1,473,809
Total liabilities	<u>1,860,858</u>	<u>511,687</u>	<u>2,372,545</u>
Fund Balances:			
Reserved for:			
Encumbrances	-	36,208	36,208
Inventory	3,146	2,631	5,777
Property taxes	47,710	10,123	57,833
Debt service	-	214,223	214,223
Unreserved, reported in:			
General Fund	1,802,641	-	1,802,641
Special Revenue Funds	-	99,766	99,766
Capital Projects Funds	-	2,365	2,365
Total fund balances	<u>1,853,497</u>	<u>365,316</u>	<u>2,218,813</u>
Total liabilities and fund balances	<u>\$ 3,714,355</u>	<u>877,003</u>	<u>4,591,358</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balances \$ 2,218,813

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. 12,695,021

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	1,688,000	
Compensated absences	217,362	
Lease-purchase agreement	244,000	
Accrued interest payable	<u>7,709</u>	
Total		<u>(2,157,071)</u>

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. 178,442

Net Assets of Governmental Activities \$ 12,935,205

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,501,283	194,343	1,695,626
Tuition and fees	1,542	25,317	26,859
Interest	99,805	-	99,805
Intergovernmental	4,187,589	1,471,925	5,659,514
Charges for services	-	131,935	131,935
Other local revenues	23,068	170,100	193,168
Total revenues	<u>5,813,287</u>	<u>1,993,620</u>	<u>7,806,907</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,615,259	868,733	3,483,992
Special education	185,762	187,684	373,446
Other instruction	2,174	59,262	61,436
Support services:			
Pupil	228,046	1,678	229,724
Instructional staff	174,228	59,840	234,068
Board of Education	60,065	-	60,065
Administration	835,682	32,876	868,558
Fiscal	174,923	-	174,923
Business	78,767	-	78,767
Operation and maintenance of plant	758,462	52,702	811,164
Pupil transportation	381,117	3,450	384,567
Central	-	1,218	1,218
Non-instructional services:			
Extracurricular activities	103,138	51,386	154,524
Community service	-	6,068	6,068
Food services	-	472,488	472,488
Capital outlay	-	6,497	6,497
Debt Service:			
Principal	-	107,000	107,000
Interest and fiscal charges	-	97,659	97,659
Total expenditures	<u>5,597,623</u>	<u>2,008,541</u>	<u>7,606,164</u>
Excess of revenues over (under) expenditures	<u>215,664</u>	<u>(14,921)</u>	<u>200,743</u>
Other financing sources (uses):			
Transfers in	-	28,211	28,211
Transfers out	(28,211)	-	(28,211)
Total other financing sources (uses):	<u>(28,211)</u>	<u>28,211</u>	<u>-</u>
Net change in fund balance	187,453	13,290	200,743
Fund balance, beginning of year	1,666,044	352,026	2,018,070
Fund balance, end of year	<u>\$ 1,853,497</u>	<u>365,316</u>	<u>2,218,813</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	200,743
<p>Amounts reported for governmental activities in the statement of activities are different because</p>		
<p>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.</p>		
Capital outlay		96,178
Depreciation expense		(323,523)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		107,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		429
<p>In the statement of activities, only the loss on the sale of capital assets is reported while only proceeds from the sale of assets are reported in the funds.</p>		(584)
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		48,183
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		<u>(6,365)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>122,061</u></u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2008

		Private Purpose Trusts	Agency Funds
ASSETS			
Equity in pooled cash and investments	\$	<u>22,100</u>	<u>15,736</u>
Total assets		<u><u>22,100</u></u>	<u><u>15,736</u></u>
LIABILITIES			
Due to student groups		<u>-</u>	<u>15,736</u>
Total liabilities		<u>-</u>	<u><u>15,736</u></u>
NET ASSETS			
Held in trust	\$	<u><u>22,100</u></u>	

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2008

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ <u>12,993</u>
Total additions	<u>12,993</u>
Deductions:	
Community gifts, awards and scholarships	<u>8,526</u>
Total deductions	<u>8,526</u>
Change in net assets	4,467
Net assets, beginning of year	<u>17,633</u>
Net assets, end of year	\$ <u><u>22,100</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Miami Local School District (the "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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 860 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the 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 is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler Technology and Career Development Schools, the Southwestern Ohio Computer Association, and the Butler County Health Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2008

B. Basis of Presentation

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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of 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.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

Governmental funds focus 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 is the School District's major governmental fund:

General Fund - The general fund 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.

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds used by the School District to account for student activities are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied.

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.

Unearned/Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2008, which are intended to finance fiscal year 2009 operations, have been recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

H. Compensated Absences

Vacation 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. 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 entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

J. Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and thus are not available for appropriation or expenditure. Unreserved fund balances indicates the portion of fund equity that is available for future appropriation. Fund equity reserves are established for encumbrances, property taxes, debt service and inventory.

L. 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.

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

M. Estimates

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2008

N. Fund Deficit

At June 30, 2008, the following funds had a deficit fund balances:

Poverty-Based Assistance Fund	\$55,659
Special Education Part B Fund	\$2,178
Title I Fund	\$3,393
Improving Teacher Quality Fund	\$285

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

2. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

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

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$2,677,644 of the School District's bank balance of \$2,777,644 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

3. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2008, the School District recorded income tax revenue of \$566,893 in the entity-wide financials and a receivable as of June 30, 2008 of \$242,685.

4. 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 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 taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at varying percentages of true value and on real property at 35% of true value.

Tangible personal property taxes are levied after April 1 on the value as of December 31 of the current year. 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 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 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, 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 Butler 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, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was \$47,710 in the General Fund, \$987 in the Special Revenue Funds and \$9,136 in the Debt Service Fund. The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 42,838,300	85.27%	42,772,970	88.05%
Tangible Personal Property	7,398,790	14.73%	5,804,119	11.95%
Total Assessed Value	\$ 50,237,090	100.00%	48,577,089	100.00%

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance 7/1/07	Additions	Disposals	Balance 6/30/08
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,710,437	-	-	13,710,437
Equipment and furniture	1,138,560	96,178	(3,147)	1,231,591
Subtotal	14,848,997	96,178	(3,147)	14,942,028
Totals at historical cost	15,277,929	96,178	(3,147)	15,370,960
Less accumulated depreciation:				
Buildings and improvements	1,371,045	274,209	-	1,645,254
Equipment and furniture	983,934	49,314	(2,563)	1,030,685
Total accumulated depreciation	2,354,979	323,523	(2,563)	2,675,939
Capital assets, net	\$ 12,922,950	(227,345)	(584)	12,695,021

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2008

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	309,186
Special		843
Support services:		
Instructional staff		729
Administration		3,950
Fiscal		2,166
Operation and maintenance of plant		6,257
Food services		<u>392</u>
Total depreciation expense	\$	<u><u>323,523</u></u>

6. INTERFUND TRANSACTIONS

During the year ended June 30, 2008, the School District made the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	28,211
Non-major governmental funds	<u>28,211</u>	<u>-</u>
	<u><u>\$ 28,211</u></u>	<u><u>28,211</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

On the fund financial statements, the General Fund has receivables of \$99,210 due from other non-major governmental funds. These interfund loans were made to provide operating capital.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

For fiscal year 2008, the School District participated in the Butler County Health Trust (the Trust), a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were approximately \$118,000, \$118,000, and \$111,000, respectively; 29% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is recorded as a liability.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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% 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

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

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.

Benefits are established by Chapter 3307 of the Ohio Revised Code. 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.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2008, 2007, and 2006 were \$448,000, \$455,000, and \$446,000, respectively; 85% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is recorded as a liability within the respective funds.

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2008 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

9. 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 Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

ended June 30, 2008, 2007, and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years June 30, 2008, 2007, and 2006 were \$32,000, \$33,000, and \$32,000, respectively.

SERS administers two postemployment benefit plans:

Medicare B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was 0.68%. The School District contributions for the year ended June 30, 2007 were \$6,000, which equaled the required contributions for the year.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health care plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007, and 2006 were \$28,000, \$28,000, and \$27,000, respectively.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2008

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, payment is made for 25% of accrued, but unused sick leave up to a maximum of 50 days for classified employees and 45 days for teachers and administrators.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2008 were as follows:

	Principal Outstanding 7/1/07	Additions	Deletions	Principal Outstanding 6/30/08	Due Within One Year
General obligation bonds	\$ 1,778,000	-	(90,000)	1,688,000	95,000
Lease-purchase agreement	261,000	-	(17,000)	244,000	18,000
Compensated absences	279,948	18,630	(44,224)	254,354	64,767
	<u>\$ 2,318,948</u>	<u>18,630</u>	<u>(151,224)</u>	<u>2,186,354</u>	<u>177,767</u>

General Obligation Bonds - On July 14, 2000, the School District issued voted general obligations bonds for the purpose of construction of a new building and improvements to the junior/senior high school building. The bonds were issued at an interest rate of 4.55% for a twenty-two year period with final maturity at December 1, 2022. The bonds will be retired from the debt service fund.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$2,683,938 with an unvoted debt margin of \$48,577 at June 30, 2008.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2008

Principal and interest requirements to retire general obligation bonds at June 30, 2008 are:

Fiscal Year Ending June 30,		Principal	Interest	Total
2009	\$	95,000	84,265	179,265
2010		100,000	79,610	179,610
2011		110,000	74,660	184,660
2012		39,518	144,642	184,160
2013		38,593	150,567	189,160
2014-2018		464,889	494,631	959,520
2019-2023		840,000	145,320	985,320
Total	\$	<u>1,688,000</u>	<u>1,173,695</u>	<u>2,861,695</u>

Principal and interest requirements to retire the lease-purchase agreement at June 30, 2008 are:

Fiscal Year Ending June 30,		Principal	Interest	Total
2009	\$	18,000	8,247	26,247
2010		19,000	7,381	26,381
2011		19,000	6,330	25,330
2012		20,000	8,242	28,242
2013		21,000	7,352	28,352
2014-2018		120,000	21,874	141,874
2019		27,000	1,166	28,166
Total	\$	<u>244,000</u>	<u>60,592</u>	<u>304,592</u>

12. INSURANCE PURCHASING POOL

Butler County Health Plan

The School District participates in the Butler County Health Plan (BCHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BCHP at P. O. Box 526, Middletown, Ohio 45042.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2008

13. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) 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 districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

14. CONTINGENCIES

Litigation

The School District is not party to legal proceedings.

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, 2008.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2008

15. REQUIRED SET-ASIDES

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

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

		<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2007	\$	(71,037)	-
Current year set-aside requirement		127,340	127,340
Less qualifying disbursements and offsets		<u>(133,012)</u>	<u>(197,356)</u>
Total		<u>(76,709)</u>	<u>(70,016)</u>
Balance carried to FY2009		<u>(76,709)</u>	<u>-</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

16. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the School District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses how state and local governments should account and disclose their costs and obligations related to postemployment healthcare and other non-pension benefits. The implementation had no effect to the School District's financial statement amounts.

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	1,335,000	1,543,467	1,544,060	593
Tuition and fees	-	1,542	1,542	-
Interest	100,000	100,000	99,837	(163)
Intergovernmental	4,251,500	4,187,589	4,187,589	-
Other local revenues	6,600	17,892	17,972	80
Total revenues	<u>5,693,100</u>	<u>5,850,490</u>	<u>5,851,000</u>	<u>510</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,832,655	2,834,855	2,628,965	205,890
Special education	211,282	222,982	191,168	31,814
Other instruction	7,703	9,453	3,674	5,779
Support services:				
Pupil	246,830	251,830	228,952	22,878
Instructional staff	183,872	184,072	171,818	12,254
Board of Education	62,551	67,351	59,620	7,731
Administration	928,781	931,581	819,863	111,718
Fiscal	196,956	196,956	175,865	21,091
Business	73,612	78,812	78,767	45
Operation and maintenance of plant	779,404	814,403	754,321	60,082
Pupil transportation	413,848	430,848	387,647	43,201
Non-instructional services:				
Extracurricular activities	110,925	110,925	103,054	7,871
Total expenditures	<u>6,048,419</u>	<u>6,134,068</u>	<u>5,603,714</u>	<u>530,354</u>
Excess of revenues over expenditures	(355,319)	(283,578)	247,286	(529,844)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(29,000)	(29,000)	(28,211)	789
Advances in	54,046	54,046	54,046	-
Advances out	(6,000)	(104,345)	(104,345)	-
Other uses	(1,604,751)	(1,584,312)	(440)	1,583,872
Other sources	250	6,415	6,415	-
Total other financing sources (uses):	<u>(1,585,455)</u>	<u>(1,657,196)</u>	<u>(72,535)</u>	<u>1,584,661</u>
Net change in fund balance	(1,940,774)	(1,940,774)	174,751	1,054,817
Fund balance, beginning of year	1,913,821	1,913,821	1,913,821	
Prior year encumbrances appropriated	26,953	26,953	26,953	
Fund balance, end of year	<u>-</u>	<u>-</u>	<u>2,115,525</u>	

See accompanying notes to required supplemental information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2008

Note A Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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 that:

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 187,453
Increase / (decrease):	
Due to revenues	37,713
Due to expenditures	6,788
Due to other sources (uses)	(44,324)
Due to encumbrances	<u>(12,879)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$ <u>174,751</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Food Donation	n/a	10.550	6,591	6,591
Fresh Fruit & Vegetable Program	n/a	10.582	63,942	63,942
Nutrition Cluster:				
School Breakfast Program	05PU-2008	10.553	73,234	73,234
Summer Food Service Program for Children	LLP4-2008	10.559	10,670	10,670
National School Lunch Program	LLP4-2008	10.555	193,882	193,882
Nutrition Cluster Total			<u>277,786</u>	<u>277,786</u>
Total U.S. Department of Agriculture			<u>348,319</u>	<u>348,319</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1-2007	84.010	3,712	16,575
Title I Grants to Local Educational Agencies	C1S1-2008	84.010	191,526	185,831
			<u>195,238</u>	<u>202,406</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2007	84.027	6,125	15,992
Special Education - Grants to States	6BSF-2008	84.027	205,923	199,804
Special Education - Preschool Grants	PGS1-2008	84.173	4,078	4,078
Special Education Cluster Total			<u>216,126</u>	<u>219,874</u>
Safe and Drug-Free Schools and Communities	DRS1-2008	84.186	4,069	4,069
Twenty First Century Community Learning Centers	T1S1	84.287	-	7,038
State Grants for Innovative Programs	C2S1-2008	84.298	2,093	2,093
Education Technology State Grants	TJS1-2008	84.318	2,138	2,138
Improving Teacher Quality State Grants	TRS1-2007	84.367	3,588	6,589
Improving Teacher Quality State Grants	TRS1-2008	84.367	44,163	42,269
			<u>47,751</u>	<u>48,858</u>
Total U.S. Department of Education			<u>467,415</u>	<u>486,476</u>
Total Federal Awards			<u>815,734</u>	<u>834,795</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**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**

To the Board of Education
New Miami Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District ("School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 28, 2008. 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 School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School 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 entity'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 entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
October 28, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
New Miami Local School District:

Compliance

We have audited the compliance of New Miami Local School District ("School 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, 2008. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 School District's compliance with those requirements.

In our opinion, the School 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, 2008.

Internal Control Over Compliance

The management of the School 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 School District's internal control over compliance with 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 School District's internal control over compliance.

A control deficiency in the School District'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 School 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 noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District'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 the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
October 28, 2008

NEW MIAMI LOCAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none

Identification of major programs:

Nutrition Cluster:

CFDA 10.553 – School Breakfast Program

CFDA 10.555 – National School Lunch Program

CFDA 10.559 – Summer Food Service Program for Children

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Audit Findings and Questioned Costs

None



Mary Taylor, CPA
Auditor of State

NEW MIAMI LOCAL SCHOOL DISTRICT

BUTLER 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 9, 2008**