



NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2011

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
New Miami Local School District
600 Seven Mile Ave
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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 12, 2012

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TABLE OF CONTENTS

Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-9
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	12-13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14-15
Statement of Fiduciary Net Assets – Fiduciary Funds.....	16
Statement of Changes in Net Assets – Fiduciary Funds	17
Notes to Basic Financial Statements.....	18-40
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) - General Fund.....	41
Notes to the Required Supplementary Information.....	42
Schedule of Expenditures of Federal Awards	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	46-47
Schedule of Findings and Questioned Costs.....	48-50
Independent Accountants' Report on Applying Agreed-Upon Procedure	51

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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, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District as of June 30, 2011, 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.

As described in Note 3, during the year ended June 30, 2011, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 9 and 41 through 42, 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 U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements of the 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, Haskett & Co.

Cincinnati, Ohio
December 14, 2011

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, 2011. 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 2011 are listed below:

- The assets of the School District exceeded its liabilities at year-end by \$13.8 million. Of this amount, \$10.5 million is invested in capital assets, net of related debt.
- In total, net assets increased by approximately \$113,000.
- The School District had \$8.0 million in expenses related to governmental activities; only \$1.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$6.3 million, made up primarily of property and income taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance increased by approximately \$329,000 from \$2,546,327 at June 30, 2010 to \$2,875,194 at June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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.

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).

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

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.

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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding 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, 2011 and 2010:

		<u>FY2011</u>	<u>FY2010</u>
Current and other assets	\$	5,553,923	5,143,041
Capital assets		<u>12,341,548</u>	<u>12,799,789</u>
Total assets		<u>17,895,471</u>	<u>17,942,830</u>
Long-term liabilities		2,302,140	2,448,693
Other liabilities		<u>1,837,776</u>	<u>1,852,047</u>
Total liabilities		<u>4,139,916</u>	<u>4,300,740</u>
Net assets:			
Invested in capital assets, net of debt		10,535,472	10,777,102
Restricted:			
For capital purposes		13,775	-
For debt service		57,872	91,789
For other purposes		242,095	134,204
Unrestricted		<u>2,906,341</u>	<u>2,638,995</u>
Total net assets	\$	<u><u>13,755,555</u></u>	<u><u>13,642,090</u></u>

A significant portion of the School District's net assets (77%) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of unrestricted net assets (\$2,906,341) may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets increased over the prior year due to an increase in federal monies and a slight overall decrease in expenses. The School District did not have any large capital additions during the fiscal year and the decrease in capital assets is a result of the annual depreciation expense. In fiscal year 2011, the School District's total liabilities decreased mainly due to annual debt service payments.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

B. Governmental Activities during fiscal year 2011

The following table presents a condensed summary of the School District's activities during fiscal year 2011 and 2010 and the resulting change in net assets:

	<u>FY2011</u>	<u>FY2010</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 142,523	169,356
Operating grants and contributions	1,688,163	1,390,239
Total program revenues	<u>1,830,686</u>	<u>1,559,595</u>
General revenues:		
Property and income taxes	1,653,938	1,599,201
Grants and entitlements	4,535,928	4,664,044
Investment earnings	7,833	7,102
Miscellaneous	82,348	118,470
Total general revenues	<u>6,280,047</u>	<u>6,388,817</u>
Total revenues	<u>8,110,733</u>	<u>7,948,412</u>
Expenses:		
Instruction	4,194,319	4,046,366
Support services:		
Pupil	331,869	297,261
Instructional staff	295,808	262,623
Board of Education	43,491	49,295
Administration	851,362	934,778
Fiscal	189,745	194,781
Business	35,456	46,306
Operation and maintenance of plant	814,081	883,922
Pupil transportation	477,064	405,438
Central	-	1,851
Non-instructional services	151,463	160,068
Interest and fiscal charges	118,142	276,217
Food services	494,468	458,638
Total expenses	<u>7,997,268</u>	<u>8,017,544</u>
Change in net assets	\$ <u>113,465</u>	<u>(69,132)</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

In total, net assets of the School District increased by \$113,000, or approximately 1%. Total revenues increased approximately 2% during the year ended June 30, 2011. Program revenues increased over the prior year due to an increase in federal monies received from State Fiscal Stabilization and Education Jobs programs. A small amount will continue to be received in fiscal year 2012 for Education Jobs, while the State Fiscal Stabilization was completed at the end of fiscal year 2011.

Overall, the decrease in total expenses was approximately less than 1% for the year ended June 30, 2011. The increase in instruction due to salary increases was offset by a decrease in support services as well as interest and fiscal charges. During the fiscal year, the School District's maintenance position was replaced by an outside service after the employee retired. In administration, the special education coordinator position was eliminated. Interest and fiscal charges decreased due to no new debt issued during fiscal year 2011.

Of the total governmental activities revenues of \$8,110,733, \$1,830,686 (23%) is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 26% (\$1,653,938) comes from property and income taxes and 72% (\$4,535,928) is from state funding. The School District's operations are reliant upon its property and income taxes 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 23% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$4,194,319 but program revenue contributed to fund 24% of those costs. Thus, general revenues of \$3,174,648 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	\$	4,194,319	1,019,671	24%	3,174,648
Support services		3,038,876	313,757	10%	2,725,119
Non-instructional services		151,463	67,558	45%	83,905
Food services		494,468	429,700	87%	64,768
Interest and fiscal charges		118,142	-	0%	118,142
Total	\$	<u>7,997,268</u>	<u>1,830,686</u>	<u>23%</u>	<u>6,166,582</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District's only major governmental fund was the General Fund.

Assets of the General Fund comprise \$4,579,302 (83%) of the total \$5,549,533 governmental funds assets. Fund balance at June 30, 2011 was \$2,875,194, with a fund balance of \$2,873,877 assigned to encumbrances and the subsequent year's appropriations. Several factors contributed to the increase in fund balance. The special education coordinator position was eliminated, the assistant principal was paid with federal monies during fiscal year 2011 and maintenance costs were reduced after replacement of a maintenance employee with outside services.

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:

- Instruction expenditures were estimated at \$3,482,457, however, actual expenditures were \$2,830,106 due to over estimating - see below.
- Support services were budgeted at \$3,282,040, however, actual expenditures were \$2,722,376 due to over estimating - see below.

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, 2011, the School District had invested in a broad range of capital assets, including land, buildings and equipment. During fiscal year 2011, the School District acquired equipment of approximately \$9,000, while also disposing of approximately \$12,000 in equipment. See Note 6 to the financial statements for more detail.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

Capital Assets at Year-End
(Net of Depreciation)

		<u>FY2011</u>	<u>FY2010</u>
Land	\$	428,932	428,932
Buildings and improvements		11,254,475	11,528,928
Equipment and furniture		<u>658,141</u>	<u>841,929</u>
Total	\$	<u>12,341,548</u>	<u>12,799,789</u>

Debt

During the year ended June 30, 2011, the School District made its regularly scheduled payments for general obligation bonds and leases. The total amount outstanding on bonds and leases was \$1,771,317 as of June 30, 2011. See Notes 12 through 14 to the financial statements for more detail.

ECONOMIC FACTORS

As with most Ohio schools, our School District's financial challenge is with state funding. Over seventy percent of our general fund revenue is made up from State foundation monies. With the State budget looking bleak, we will be watching the monies we receive from the State closely. These funds will have an impact on the administration's decision for staff reductions. We don't know exactly how the new Evidenced Based Model for school funding will impact our School District at this time. We have based our revenues on the simulation models from the State. The budget stabilization funding that the School District will be receiving in fiscal year 2012 will help the School District save staff positions for at least a few years and until we see how the new funding model will affect our School District.

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, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash	\$ 3,866,913
Receivables:	
Taxes	1,534,051
Accounts	6,490
Intergovernmental	101,020
Supplies inventory	10,693
Deferred charges	34,756
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>11,912,616</u>
Total assets	<u>17,895,471</u>
Liabilities:	
Accounts payable	55,670
Accrued wages and benefits	551,500
Intergovernmental payable	155,441
Unearned revenue	1,059,115
Accrued interest payable	16,050
Noncurrent liabilities:	
Due within one year	192,753
Due within more than one year	<u>2,109,387</u>
Total liabilities	<u>4,139,916</u>
Net Assets:	
Invested in capital assets, net of related debt	10,535,472
Restricted for:	
Capital projects	13,775
Debt service	57,872
Other purposes	242,095
Unrestricted	<u>2,906,341</u>
Total net assets	<u>\$ 13,755,555</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2011

	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	\$ 3,555,816	14,262	750,442	(2,791,112)
Special education	587,257	-	254,967	(332,290)
Other	51,246	-	-	(51,246)
Support services:				
Pupil	331,869	-	-	(331,869)
Instructional staff	295,808	-	101,738	(194,070)
Board of Education	43,491	-	-	(43,491)
Administration	851,362	-	69,468	(781,894)
Fiscal	189,745	-	-	(189,745)
Business	35,456	-	-	(35,456)
Operation and maintenance of plant	814,081	-	109,539	(704,542)
Pupil transportation	477,064	-	33,012	(444,052)
Non-instructional services:				
Extracurricular activities	151,463	51,105	16,453	(83,905)
Food service	494,468	77,156	352,544	(64,768)
Interest on long-term debt	118,142	-	-	(118,142)
Total Governmental Activities	\$ <u>7,997,268</u>	<u>142,523</u>	<u>1,688,163</u>	<u>(6,166,582)</u>
General Revenues:				
Property taxes, levied for general purposes				1,014,216
Property taxes, levied for debt services				184,960
Income taxes				454,762
Grants and entitlements not restricted to specific programs				4,535,928
Investment earnings				7,833
Miscellaneous				82,348
Total general revenues				<u>6,280,047</u>
Change in net assets				113,465
Net assets beginning of year				<u>13,642,090</u>
Net assets end of year				\$ <u>13,755,555</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash	\$ 3,220,253	646,660	3,866,913
Receivables:			
Taxes	1,310,443	223,608	1,534,051
Accounts	5,787	703	6,490
Intergovernmental	11,136	89,884	101,020
Materials and supplies inventory	1,317	9,376	10,693
Interfund receivable	30,366	-	30,366
Total assets	<u>4,579,302</u>	<u>970,231</u>	<u>5,549,533</u>
Liabilities:			
Accounts payable	19,535	36,135	55,670
Accrued wages and benefits	413,796	137,704	551,500
Intergovernmental payable	129,115	26,326	155,441
Interfund payable	-	30,366	30,366
Compensated absences payable	34,662	-	34,662
Deferred revenue	1,107,000	241,012	1,348,012
Total liabilities	<u>1,704,108</u>	<u>471,543</u>	<u>2,175,651</u>
Fund Balances:			
Nonspendable	1,317	9,376	10,693
Restricted	-	530,760	530,760
Assigned	2,862,758	-	2,862,758
Unassigned	11,119	(41,448)	(30,329)
Total fund balances	<u>2,875,194</u>	<u>498,688</u>	<u>3,373,882</u>
Total liabilities and fund balances	\$ <u>4,579,302</u>	<u>970,231</u>	<u>5,549,533</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances \$ 3,373,882

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. 12,341,548

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	1,342,997	
Premium on refunding bonds	108,330	
Deferred amount on refunding bonds	(73,571)	
Accreted interest on bonds	270,009	
Compensated absences	191,393	
Lease-purchase agreement	293,000	
Capital lease	135,320	
Accrued interest payable	<u>16,050</u>	
Total		(2,283,528)

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. 288,897

Bond issuance costs that are recorded as deferred charges and amortized over life of the bonds on the Statement of Net Assets but recorded as an expenditure in the funds in the year of issuance. 34,756

Net Assets of Governmental Activities \$ 13,755,555

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,380,099	191,263	1,571,362
Tuition and fees	14,262	-	14,262
Interest	7,833	-	7,833
Intergovernmental	4,535,422	1,666,629	6,202,051
Charges for services	-	76,151	76,151
Other local revenues	71,926	65,060	136,986
Total revenues	<u>6,009,542</u>	<u>1,999,103</u>	<u>8,008,645</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,407,108	729,111	3,136,219
Special education	333,916	252,824	586,740
Other instruction	51,246	-	51,246
Support services:			
Pupil	329,378	2,491	331,869
Instructional staff	228,862	66,487	295,349
Board of Education	43,491	-	43,491
Administration	746,185	86,006	832,191
Fiscal	189,459	-	189,459
Business	35,456	-	35,456
Operation and maintenance of plant	693,104	114,513	807,617
Pupil transportation	443,662	33,402	477,064
Non-instructional services:			
Extracurricular activities	84,058	67,405	151,463
Food services	-	486,527	486,527
Debt Service:			
Principal	33,589	180,000	213,589
Interest and fiscal charges	4,608	53,688	58,296
Total expenditures	<u>5,624,122</u>	<u>2,072,454</u>	<u>7,696,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>385,420</u>	<u>(73,351)</u>	<u>312,069</u>
Other financing sources (uses):			
Transfers in	-	56,553	56,553
Transfers out	(56,553)	-	(56,553)
Total other financing sources (uses):	<u>(56,553)</u>	<u>56,553</u>	<u>-</u>
Net change in fund balance	328,867	(16,798)	312,069
Fund balance, beginning of year, restated	<u>2,546,327</u>	<u>515,486</u>	<u>3,061,813</u>
Fund balance, end of year	\$ <u>2,875,194</u>	<u>498,688</u>	<u>3,373,882</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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	312,069
<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		9,339
Depreciation expense		(464,047)
<p>Losses on the sale of capital assets are reported on the statement of activities and not as expenditures of the governmental funds.</p>		
		(3,533)
<p>Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		213,589
<p>In the statement of activities, interest is accrued and accreted on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(59,846)
<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>		
		1,278
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		<u>104,616</u>
Change in Net Assets of Governmental Activities	\$	<u><u>113,465</u></u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2011

		Private Purpose Trusts	Agency Funds
		<u> </u>	<u> </u>
ASSETS			
Equity in pooled cash	\$	24,281	15,741
Accounts receivable		<u>1,414</u>	<u>-</u>
Total assets		<u><u>25,695</u></u>	<u><u>15,741</u></u>
LIABILITIES			
Accounts payable		5,494	-
Due to student groups		<u>-</u>	<u>15,741</u>
Total liabilities		<u><u>5,494</u></u>	<u><u>15,741</u></u>
NET ASSETS			
Held in trust	\$	<u><u>20,201</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, 2011

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ <u>9,817</u>
Total additions	<u>9,817</u>
Deductions:	
Community gifts, awards and scholarships	<u>6,745</u>
Total deductions	<u>6,745</u>
Change in net assets	3,072
Net assets, beginning of year	<u>17,129</u>
Net assets, end of year	\$ <u><u>20,201</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, 2011

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. 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 770 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 Health Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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, 2011

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 only major governmental fund:

General Fund - This 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. 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, income taxes, interest, tuition, student fees, and grants.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

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.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary 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 and income 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, 2011, which are intended to finance fiscal year 2012 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

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" on the balance sheet.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

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.

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 \$250 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.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

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.

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

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

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

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

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

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

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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

M. Estimates

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

N. Fund Deficit

At June 30, 2011, the following funds have a deficit fund balance:

Education Jobs	\$34,679
Title I	\$4,839
Food Service	\$1,930

The deficit fund balance was 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

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.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

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;
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".

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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, \$3,818,863 of the School District's bank balance of \$4,068,863 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.

3. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clarified fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's beginning fund balance:

	<u>General</u>	<u>Other Governmental funds</u>
Fund Balance at June 30, 2010	\$ 2,510,062	551,751
Change in fund classification	<u>36,265</u>	<u>(36,265)</u>
Restated Fund Balance at June 30, 2010	<u>\$ 2,546,327</u>	<u>515,486</u>

4. 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, 2011, the School District recorded income tax revenue of \$454,762 in the entity-wide financials and a receivable as of June 30, 2011 of \$201,211.

5. 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.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

Property taxes include amounts levied against all real and public utility property 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.

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, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2011. 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, 2011, was \$40,232 in the General Fund, and \$7,633 in Other Governmental Funds. The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second Half Collections</u>		<u>2011 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 48,598,400	95.59%	48,329,220	96.25%
Public Utilities Personal	<u>2,240,650</u>	4.41%	<u>1,883,270</u>	3.75%
Total Assessed Value	\$ <u>50,839,050</u>	100.00%	<u>50,212,490</u>	100.00%

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

6. CAPITAL ASSETS

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

	Balance 7/1/10	Additions	Disposals	Balance 6/30/11
<i>Governmental Activities</i>				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,722,653	-	-	13,722,653
Equipment and furniture	1,984,575	9,339	(11,739)	1,982,175
Subtotal	<u>15,707,228</u>	<u>9,339</u>	<u>(11,739)</u>	<u>15,704,828</u>
Totals at historical cost	<u>16,136,160</u>	<u>9,339</u>	<u>(11,739)</u>	<u>16,133,760</u>
Less accumulated depreciation:				
Buildings and improvements	2,193,725	274,453	-	2,468,178
Equipment and furniture	1,142,646	189,594	(8,206)	1,324,034
Total accumulated depreciation	<u>3,336,371</u>	<u>464,047</u>	<u>(8,206)</u>	<u>3,792,212</u>
Capital assets, net	<u>\$ 12,799,789</u>	<u>(454,708)</u>	<u>(3,533)</u>	<u>12,341,548</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 453,367
Special	517
Support services:	
Administration	1,317
Fiscal	286
Operation and maintenance of plant	6,464
Food services	<u>2,096</u>
Total depreciation expense	<u>\$ 464,047</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

7. INTERFUND TRANSACTIONS

During the year ended June 30, 2011, the School District made the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	56,553
Other governmental funds	<u>56,553</u>	<u>-</u>
	<u>\$ 56,553</u>	<u>56,553</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 \$30,366 due from Other Governmental funds. These interfund loans were made to provide operating capital.

8. 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 2011, 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.

For fiscal year 2011, the School District participated in the Butler Health Plan, 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 Plan provides insurance policies in whole or in part through one or more group insurance policies.

9. 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, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 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 Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate amount the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81%. The remaining 2.19% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$84,000, \$94,000 and \$114,000, respectively, which equaled the required contributions each year.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio 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 Ohio 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 STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final years will be calculated at 2.5% instead of 2.2%.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Under the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs, and partial reimbursements of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouse and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

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 Ohio, 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 to STRS Ohio for the years ended June 30, 2011, 2010, and 2009 were approximately \$438,000, \$448,000, and \$450,000, respectively. For 2011, 87% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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, 2011 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

10. 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). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

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. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. 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 ended June 30, 2011, 2010, and 2009. 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 ended June 30, 2011, 2010, and 2009 were approximately \$31,000, \$32,000 and \$32,000, respectively. For 2011, 87% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

SERS administers two postemployment benefit plans:

Medicare Part 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. 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 2011, the actuarially required allocation was .76%. The School District contributions for the year ended June 30, 2011, 2010, and 2009 were approximately \$5,000, \$5,000, and \$6,000, respectively, which equaled the required contributions each 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, Medicare Advantage, 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 105(e). 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, 2011, the health care allocation was 1.43%. 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were approximately \$9,000, \$3,000, and \$34,000, respectively, which equaled the required contributions for each year.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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.

11. 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, classified employee can receive payment for 25% of accrued, but unused sick leave up to a maximum of 50 days; teachers and administrators can receive payment for 30% of accrued, but unused sick leave up to a maximum of 55 days.

12. LONG-TERM OBLIGATIONS

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

	Principal Outstanding 7/1/10	Additions	Deletions	Principal Outstanding 6/30/11	Due Within One Year
Series 2000 improvement bonds	\$ 258,000	-	(110,000)	148,000	39,519
Series 2010 refunding bonds	1,234,997	-	(40,000)	1,194,997	20,000
Premium on refunding bonds	117,750	-	(9,420)	108,330	-
Deferred amount on refunding	(79,969)	-	6,398	(73,571)	-
Accreted interest on bonds	215,781	54,228	-	270,009	-
Lease-purchase agreements	323,000	-	(30,000)	293,000	31,000
Capital lease	168,909	-	(33,589)	135,320	34,611
Compensated absences	<u>210,225</u>	<u>68,591</u>	<u>(52,761)</u>	<u>226,055</u>	<u>67,623</u>
	<u>\$ 2,448,693</u>	<u>122,819</u>	<u>(269,372)</u>	<u>2,302,140</u>	<u>192,753</u>

On July 14, 2000, the School District issued voted Series 2000 general obligation school improvement bonds for the purpose of construction of a new building and improvements to the junior/senior high school building. The bonds were issued at interest rates ranging from 4.55% to 6% for a twenty-two year period with final maturity at December 1, 2022. On May 24, 2010, the School District issued Series 2010 school improvement refunding bonds to advance refund \$1,235,000 of the Series 2000 bonds. These bonds were issued at interest rates between 2.1% to 3.8% for a twelve and one-half year period with final maturity at December 1, 2022 and will be retired from the debt service fund.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

On August 13, 2009, the School District entered into a lease-purchase agreement in the amount of \$124,000 for football bleachers through the Ohio Association of School Business Official's Leased Asset Program. The final payment will be made in December 2018.

In March 2004, the School District entered into a lease-purchase agreement in the amount of \$306,000 for school improvements through the Ohio Association of School Business Official's Leased Asset Program. The final payment will be made in December 2018.

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, typically the General Fund. The School District's voted legal debt margin was \$3,176,127 with an unvoted debt margin of \$50,212 at June 30, 2011.

Principal and interest requirements to retire Series 2000 and 2010 bonds at June 30, 2011 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 59,519	181,034	240,553
2013	58,593	196,559	255,152
2014	61,048	198,613	259,661
2015	58,840	190,295	249,135
2016	65,503	119,209	184,712
2017-2021	694,494	223,917	918,411
2022-2023	345,000	12,825	357,825
Total	\$ 1,342,997	1,122,452	2,465,449

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2011 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 31,000	11,558	42,558
2013	33,000	10,279	43,279
2014	34,000	8,935	42,935
2015	36,000	7,501	43,501
2016	37,000	5,974	42,974
2017-2019	122,000	7,942	129,942
Total	\$ 293,000	52,189	345,189

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

13. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and the liability for the defeased bonds are not included on the School District's financial statements. On June 30, 2011, \$1,235,000 of bonds are considered defeased.

14. CAPITAL LEASES – LESSEE DISCLOSURE

On March 29, 2010, the District entered into a lease agreement for the use of five copiers. Assets acquired under these leases were \$177,150. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles. In the case of the copier lease, the term is sixty months. Capital lease payments have been reflected as debt service expenditures.

The following is a schedule of the future minimum lease payments for the capital leases, and the present value of the future minimum lease payments at June 30, 2011:

Year Ending June 30	
2012	\$ 38,197
2013	38,197
2014	38,197
2015	<u>28,653</u>
Total Future Minimum Lease Payments	143,244
Less: Amount Representing Interest	<u>7,924</u>
Present Value of Future Minimum Lease Payments	<u>\$ 135,320</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

15. FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Inventory	\$ 1,317	9,376	10,693
<i>Restricted for</i>			
Classroom Facilities Maintenance	-	111,213	111,213
Public School Preschool	-	16,407	16,407
State Fiscal Stabilization	-	29,893	29,893
Other Purposes	-	46,541	46,541
Debt Service Payments	-	312,931	312,931
Capital Improvements	-	13,775	13,775
<i>Total Restricted</i>	-	530,760	530,760
<i>Assigned to</i>			
Public School Support	15,434	-	15,434
Encumbrances	4,542	-	4,542
Future Appropriations	2,842,782	-	2,842,782
<i>Total Assigned</i>	2,862,758	-	2,862,758
<i>Unassigned (Deficit)</i>	11,119	(41,448)	(30,329)
<i>Total Fund Balance</i>	\$ 2,875,194	498,688	3,373,882

16. INSURANCE PURCHASING POOL

Butler Health Plan

The School District participates in the Butler Health Plan, 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 Butler Health Plan at P. O. Box 526, Middletown, Ohio 45042.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

17. 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 consortiums 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.

18. CONTINGENCIES

Litigation

The School District's attorney estimates that potential claims against the School District from legal proceedings would not materially affect the financial statements of the School District.

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

19. 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, 2010	\$	(7,483)	-
Current year set-aside requirement		116,004	116,004
Less qualifying disbursements and offsets		<u>(127,796)</u>	<u>(223,761)</u>
Total		<u>(19,275)</u>	<u>(107,757)</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.

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, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 1,340,000	1,364,590	1,364,590	-
Interest	6,500	7,785	7,833	48
Intergovernmental	4,432,085	4,524,286	4,524,286	-
Other local revenues	20,100	17,672	17,672	-
Total revenues	<u>5,798,685</u>	<u>5,914,333</u>	<u>5,914,381</u>	<u>48</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,047,311	3,047,287	2,450,842	596,445
Special education	378,420	383,420	328,109	55,311
Other instruction	43,750	51,750	51,155	595
Support services:				
Pupil	347,464	347,464	327,619	19,845
Instructional staff	244,228	254,229	235,984	18,245
Board of Education	75,825	75,875	45,008	30,867
Administration	925,248	925,248	748,951	176,297
Fiscal	231,265	233,265	189,617	43,648
Business	55,532	55,532	29,732	25,800
Operation and maintenance of plant	841,064	876,064	692,763	183,301
Pupil transportation	514,363	514,363	452,702	61,661
Non-instructional services:				
Extracurricular activities	105,058	113,058	83,127	29,931
Total expenditures	<u>6,809,528</u>	<u>6,877,555</u>	<u>5,635,609</u>	<u>1,241,946</u>
Excess of revenues over expenditures	(1,010,843)	(963,222)	278,772	1,241,994
Other financing sources (uses):				
Transfers out	(50,000)	(50,000)	(46,688)	3,312
Advances in	3,178	7,026	7,026	-
Advances out	(9,409)	(9,909)	(9,848)	61
Other uses	(1,873,098)	(1,924,658)	-	1,924,658
Other sources	51,143	51,734	51,734	-
Total other financing sources (uses):	<u>(1,878,186)</u>	<u>(1,925,807)</u>	<u>2,224</u>	<u>1,928,031</u>
Net change in fund balance	(2,889,029)	(2,889,029)	280,996	3,170,025
Fund balance, beginning of year	2,877,192	2,877,192	2,877,192	
Prior year encumbrances appropriated	11,837	11,837	11,837	
Fund balance, end of year	\$ <u>-</u>	<u>-</u>	<u>3,170,025</u>	

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2011

Note A Budgetary Basis of Accounting

While the School 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:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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 an expenditure when liquidated (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	\$ 328,867
Increase / (decrease):	
Due to inclusion of Uniform School Supply Fund	9,615
Due to inclusion of Rotary Fund	(39)
Due to inclusion of Public School Support Fund	136
Due to revenues	(72,525)
Due to expenditures	(19,758)
Due to other sources (uses)	58,777
Due to encumbrances	<u>(24,077)</u>
Net change in fund balance - Budget Basis	\$ <u>280,996</u>

New Miami Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2011

<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.S. Department of Agriculture:				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 20,313	20,313
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2011	10.553	93,354	93,354
National School Lunch Program	LLP4-2011	10.555	231,323	231,323
Summer Food Service Program for Children	24PU-2011	10.559	2,127	2,127
<i>Cash Assistance Subtotal</i>			<u>326,804</u>	<u>326,804</u>
Nutrition Cluster Total			<u>347,117</u>	<u>347,117</u>
Total U.S. Department of Agriculture			<u>347,117</u>	<u>347,117</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1-2010	84.010	12,825	15,319
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	226,914	226,206
ARRA - Title I Grants to Local Educational Agencies	C1S1-2010	84.389	7,000	8,819
ARRA - Title I Grants to Local Educational Agencies	C1S1-2011	84.389	33,578	8,170
Title I Cluster Total			<u>280,317</u>	<u>258,514</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2010	84.027	11,713	22,253
Special Education - Grants to States	6BSF-2011	84.027	163,369	159,943
Special Education - Preschool Grants	PGS1-2011	84.173	3,085	3,085
ARRA - Special Education - Grants to States	6BSF-2010	84.391	7,482	15,209
ARRA - Special Education - Grants to States	6BSF-2011	84.391	70,309	78,212
ARRA - Special Education - Preschool Grants	PGS1-2010	84.392	3,055	-
ARRA - Special Education - Preschool Grants	PGS1-2011	84.392	3,086	3,086
Special Education Cluster Total			<u>262,099</u>	<u>281,788</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394	-	38,392
ARRA - State Fiscal Stabilization Fund - Education State Grants	2011	84.394	325,509	245,387
			<u>325,509</u>	<u>283,779</u>
Safe and Drug-Free Schools and Communities	DRS1-2011	84.186	10	10
Education Technology State Grants	TJS1-2011	84.318	756	756
Improving Teacher Quality State Grants	TRS1-2010	84.367	-	1,850
Improving Teacher Quality State Grants	TRS1-2011	84.367	50,451	48,385
			<u>50,451</u>	<u>50,235</u>
ARRA- Teacher Incentive Fund	2011	84.385	18,007	22,988
Education Jobs Fund	2011	84.410	139,621	134,631
Total U.S. Department of Education			<u>1,076,770</u>	<u>1,032,701</u>
Total Federal Awards			<u>\$ 1,423,887</u>	<u>1,379,818</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 entitlement value of the commodities received and disbursed.

NOTE C - NUTRITION CLUSTER

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

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**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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 14, 2011 wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective 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 opinions 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District, in a separate letter dated December 14, 2011.

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

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
December 14, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
New Miami Local School District:

Compliance

We have audited the New Miami Local School District's ("School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2011. 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 School 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.

As described in item 2011-2 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding allowable costs that are applicable to its State Fiscal Stabilization Fund – Education State Grants. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be significant deficiencies.

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

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 these specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
December 14, 2011

NEW MIAMI LOCAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• 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?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	Unqualified for all major programs except State Fiscal Stabilization Fund which was qualified.
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	yes
Identification of major programs:	
<i>Special Education Cluster:</i>	
<i>CFDA 84.027 – Special Education Grants to States</i>	
<i>CFDA 84.173 – Special Education Preschool Grants</i>	
<i>CFDA 84.391 – Special Education Grants to States – ARRA</i>	
<i>CFDA 84.392 – Special Education Preschool Grants – ARRA</i>	
 <i>CFDA 84.394 – State Fiscal Stabilization</i>	
<i>Fund–Education State Grants – ARRA</i>	
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

DEPARTMENT OF EDUCATION

Cash Management

Finding 2011-1 - State Fiscal Stabilization Fund – Education State Grants – ARRA - CFDA No. 84.394

Condition: We performed cash management compliance tests to determine if the School District was minimizing the time that elapsed between the receipt of funding from the Ohio Department of Education (ODE) and the disbursement of the funds. ODE interpreted this requirement to mean that School Districts should spend this funding within 30 Days or by the end of the month in which it was received, whichever came first. The School District did not always spend amounts received within the stipulated time frame. We noted the School District did not always spend the monthly amounts received through state Foundation payments in accordance with policies stipulated by the ODE.

Criteria: 34 CFR 80.20(b)(7) states in part “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” For the State Fiscal Stabilization funding, ODE provided the funding through its normal Foundation payment schedule and the School District was not required to request the funding. However, ODE stipulated that amounts received should be spent within 30 days or by the end of the month in which it was received, whichever came first.

Effect: Noncompliance with cash management requirements could result in funders seeking repayment of excess interest earnings on federal funding or other remedial actions.

Cause: The School District did not implement specific procedures to ensure that federal funds were disbursed in accordance with both Federal and ODE requirements.

Recommendation: We recommend the School District implement cash management procedures to ensure compliance with all federal requirements.

Management response: *The School District did not expend the State Fiscal Stabilization funding quickly enough. ODE’s guidance on this issue was unclear. The School District did, however, expend all budget stabilization funds.*

Allowable Activities

Finding 2011-2 - State Fiscal Stabilization Fund – Education State Grants – ARRA - CFDA No. 84.394

Condition: We performed tests to determine if the School District was charging allowable activities to the Federal award. We noted one payment to a vendor which appears to be an unallowable activity as it was used to pay for maintenance costs.

Criteria: American Recovery and Reinvestment Act of 2009 (ARRA), Section 14003 (b) (1) states in part “A local educational agency may not use funds received under this title for— payment of maintenance costs;”

Effect: Costs of \$32,266 are questioned as a result of charging maintenance activities to the Federal award.

Cause: Management of the School District believed maintenance costs were an allowable activity to charge to the Federal award.

Recommendation: We recommend the School District implement procedures to ensure that all activities charged to Federal awards comply with allowable activity requirements of the Federal program.

Management response: The School District had originally expended funds from the State Fiscal Stabilization funding for maintenance/custodial costs. After discussing it with our auditors and determining this was an unallowable expenditure, the School District reimbursed the Budget Stabilization Fund for those maintenance costs and expended the funds for a teacher's salary and retirement benefits.

Section IV – Summary of Prior Audit Findings and Questioned Costs

None

Independent Accountants' Report on Applying Agreed-Upon Procedure

New Miami Local School District
Butler County
600 Seven Mile Avenue
Hamilton, Ohio 45011

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 19, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 14, 2011



Dave Yost • 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
JANUARY 26, 2012**