
Miami East Local School District
Miami County, Ohio

Basic Financial Statements

June 30, 2012

with Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Miami East Local School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 17, 2013

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2012

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The discussion and analysis of the Miami East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$168,710 which represents a 1.06% decrease from 2011.
- General revenues accounted for \$12,360,346 in revenue or 86.28% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,948,799 or 13.62% of total revenues of \$14,309,145.
- The District had \$14,477,855 in expenses related to governmental activities; \$1,948,799 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,360,346 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund and the classroom facilities fund. The general fund had \$11,450,572 in revenues and other financing sources and \$11,250,638 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance increased \$199,934 from a \$380,344 to \$580,278.
- The bond retirement fund had \$1,393,373 in revenues and \$1,313,888 in expenditures. During fiscal year 2012, the bond retirement fund's fund balance increased \$79,485 from \$823,988 to \$903,473.
- The classroom facilities fund had \$44,178 in revenues and \$1,264,985 in expenditures. During fiscal year 2012, the classroom facilities fund balance decreased \$1,220,807 from \$2,520,676 to \$1,299,869.

Using these Basic Financial Statements

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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. These notes to the basic financial statements can be found on pages 22-57 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 10,678,309	\$ 13,592,115
Capital assets, net	29,270,292	28,955,675
Total assets	39,948,601	42,547,790
<u>Liabilities</u>		
Current liabilities	5,448,739	7,521,971
Long-term liabilities	18,791,783	19,149,030
Total liabilities	24,240,522	26,671,001
<u>Net Assets</u>		
Invested in capital assets, net of related debt	13,202,952	12,641,473
Restricted	3,852,111	5,561,641
Unrestricted (deficit)	(1,346,984)	(2,326,325)
Total net assets	\$ 15,708,079	\$ 15,876,789

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$15,708,079. Of this total, \$3,852,111 is restricted in use.

At year-end, capital assets represented 73.27% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$13,202,952. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

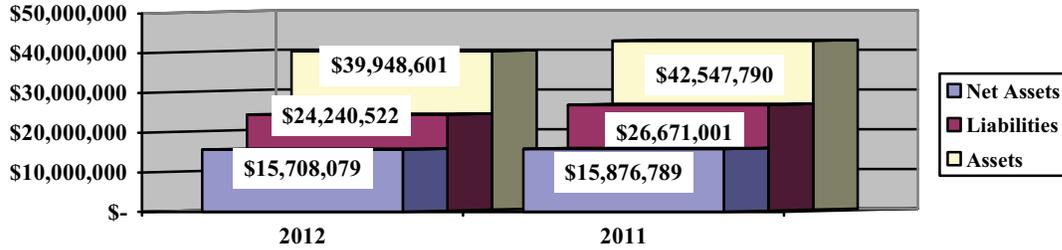
A portion of the District's net assets, \$3,852,111, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,346,984.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011:

Governmental Activities



The table below shows the change in net assets for fiscal year 2012 and 2011. Certain expenses in fiscal year 2011 have been reclassified to conform to 2012's presentation.

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,091,341	\$ 1,029,676
Operating grants and contributions	853,631	1,512,731
Capital grants and contributions	3,827	2,120
General revenues:		
Property taxes	4,800,721	5,114,274
Income taxes	2,536,342	1,758,357
Grants and entitlements	4,970,334	5,034,413
Investment earnings	5,538	34,147
Other	<u>47,411</u>	<u>85,023</u>
 Total revenues	 <u>14,309,145</u>	 <u>14,570,741</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Change in Net Assets	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,749,732	\$ 6,135,257
Special	978,076	1,113,706
Vocational	49,790	149,264
Other	750,045	789,829
Support services:		
Pupil	682,415	696,319
Instructional staff	392,665	353,407
Board of education	22,439	84,103
Administration	812,579	867,358
Fiscal	401,990	402,208
Business	60,435	42,811
Operations and maintenance	1,341,685	1,039,478
Pupil transportation	868,085	817,959
Central	234,276	266,586
Operations of non-instructional services:		
Other non-instructional services	31,832	52,641
Food service operations	457,555	412,558
Extracurricular activities	479,779	420,559
Interest and fiscal charges	<u>1,164,477</u>	<u>1,033,894</u>
Total expenses	<u>14,477,855</u>	<u>14,677,937</u>
Change in net assets	(168,710)	(107,196)
Net assets at beginning of year	<u>15,876,789</u>	<u>15,983,985</u>
Net assets at end of year	<u>\$ 15,708,079</u>	<u>\$ 15,876,789</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$168,710. Total governmental expenses of \$14,477,855 were offset by program revenues of \$1,948,799 and general revenues of \$12,360,346. Program revenues supported 13.46% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86.01% of total governmental revenue. Revenues of the District decreased \$261,596. The most significant decrease was in the area of operating grants and contributions which decreased \$659,100. This decrease is primarily the result of a decrease in funding related to the education jobs fund and the fiscal stabilization fund. Income tax revenue increased \$777,985 due primarily to the passage of a new income tax levy.

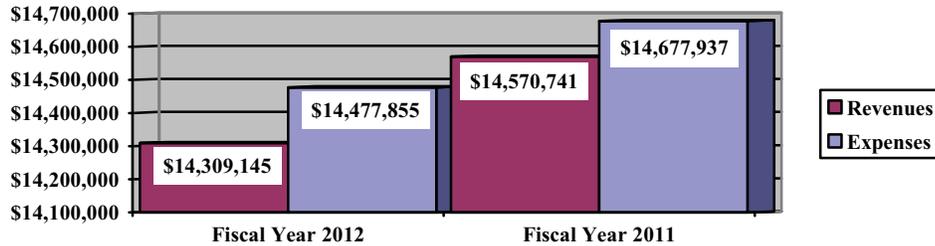
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,527,643 or 51.99% of total governmental expenses for fiscal year 2012.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2012 and 2011.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service. Certain total cost of services and net cost of services in fiscal year 2011 have been reclassified to conform to 2012's presentation.

Governmental Activities

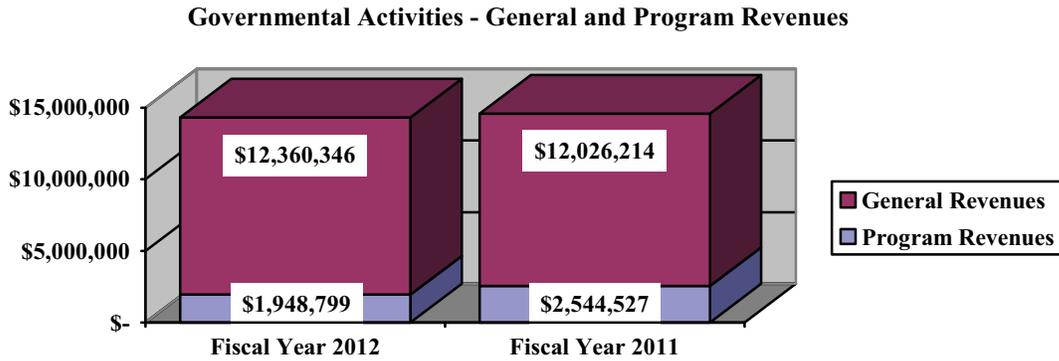
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 5,749,732	\$ 5,077,769	\$ 6,135,257	\$ 5,178,287
Special	978,076	510,618	1,113,706	634,159
Vocational	49,790	13,674	149,264	112,954
Other	750,045	747,947	789,829	789,829
Support services:				
Pupil	682,415	660,015	696,319	496,722
Instructional staff	392,665	380,977	353,407	332,145
Board of education	22,439	22,439	84,103	84,103
Administration	812,579	811,713	867,358	853,014
Fiscal	401,990	375,602	402,208	400,211
Business	60,435	60,435	42,811	42,811
Operations and maintenance	1,341,685	1,329,750	1,039,478	747,792
Pupil transportation	868,085	755,825	817,959	817,959
Central	234,276	227,188	266,586	254,616
Operations of non-instructional services:				
Other non-instructional services	31,832	2,838	52,641	52,641
Food service operations	457,555	51,380	412,558	(7,789)
Extracurricular activities	479,779	336,409	420,559	310,062
Interest and fiscal charges	1,164,477	1,164,477	1,033,894	1,033,894
Total expenses	\$ 14,477,855	\$ 12,529,056	\$ 14,677,937	\$ 12,133,410

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The dependence upon tax and other general revenues for governmental activities is apparent, 84.36% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.53%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,918,924 which is less than last year's total of \$5,225,422. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Change	Percentage Change
General	\$ 580,278	\$ 380,344	\$ 199,934	52.57 %
Bond Retirement	903,473	823,988	79,485	9.65 %
Classroom Facilities	1,299,869	2,520,676	(1,220,807)	(48.43) %
Other Governmental	<u>1,135,304</u>	<u>1,500,414</u>	<u>(365,110)</u>	(24.33) %
Total	<u>\$ 3,918,924</u>	<u>\$ 5,225,422</u>	<u>\$ (1,306,498)</u>	(25.00) %

General Fund

The District's general fund balance increased \$199,934.

Revenues of the general fund increased \$427,359 or 3.88%. The most significant increase was in the area of taxes which increased \$441,368 or 8.37%. This increase is the result of a new income tax levy passed by the District voters which increased the rate from 1.00% of all income of individuals to 1.75% on earned income.

Expenditures of the general fund increased \$783,487 or 7.54%. The most significant increase was in the area of support services which increased \$561,360 or 16.07%. This increase is the result of increases in wages and costs that were accounted for the fiscal stabilization fund (a nonmajor governmental fund) were moved back to the general fund due to the decrease in funding.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,712,339	\$ 5,270,971	\$ 441,368	8.37 %
Tuition	563,034	613,276	(50,242)	(8.19) %
Earnings on investments	5,538	2,229	3,309	148.45 %
Intergovernmental	5,012,451	5,031,806	(19,355)	(0.38) %
Other revenues	<u>148,739</u>	<u>96,460</u>	<u>52,279</u>	54.20 %
Total	<u>\$ 11,442,101</u>	<u>\$ 11,014,742</u>	<u>\$ 427,359</u>	3.88 %
<u>Expenditures</u>				
Instruction	\$ 6,834,768	\$ 6,618,421	\$ 216,347	3.27 %
Support services	4,054,736	3,493,376	561,360	16.07 %
Non-instructional services	3,396	3,894	(498)	(12.79) %
Extracurricular activities	282,377	271,493	10,884	4.01 %
Facilities acquisition and construction	<u>4,196</u>	<u>8,802</u>	<u>(4,606)</u>	(52.33) %
Total	<u>\$ 11,179,473</u>	<u>\$ 10,395,986</u>	<u>\$ 783,487</u>	7.54 %

Bond Retirement Fund

The bond retirement fund had \$1,393,373 in revenues and \$1,313,888 in expenditures. During fiscal year 2012, the bond retirement fund's fund balance increased \$79,485 from \$823,988 to \$903,473. The increase in fund balance is the result of property tax collections exceeding the scheduled principal and interest payments on general obligation bonds.

Classroom Facilities Fund

The classroom facilities fund had \$44,178 in revenues and \$1,264,985 in expenditures. During fiscal year 2012, the classroom facilities fund balance decreased \$1,220,807 from \$2,520,676 to \$1,299,869. The decrease in fund balance is due to costs incurred that are associated with the District's Ohio School Facilities Commission project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,553,959. Final budgeted revenues and other financing sources and actual revenues and other financing sources for fiscal year 2012 was \$11,047,306. This represents a \$493,347 increase from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$10,867,504, which were increased to \$11,050,626 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$11,050,626, which was \$183,122 more than the original budgeted appropriations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$29,270,292 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 303,182	\$ 303,182
Construction in progress	-	15,025,688
Land improvements	1,116,012	1,086,450
Building and improvements	26,724,871	11,775,713
Furniture, fixtures and equipment	900,284	484,328
Vehicles	225,943	280,314
Total	\$ 29,270,292	\$ 28,955,675

The overall increase in capital assets of \$314,617 is due to additions of \$1,624,270 exceeding current year depreciation of \$900,764 and disposals (net of accumulated depreciation) of \$408,889.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$17,367,286 in general obligation bonds payable. Of this total, \$650,000 is due within one year and \$16,717,286 is due within greater than one year.

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2012	2011
2002 school improvement bonds	\$ 558,986	\$ 529,939
2007 school improvement refunding bonds	10,401,689	10,410,081
2009 school improvement bonds	6,406,611	6,534,121
Total	\$ 17,367,286	\$ 17,474,141

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Lisa Fahncke, Treasurer, Miami East Local School District, 3825 N. State Route 589, Casstown, Ohio 45312.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 3,588,211
Cash and cash equivalents with fiscal agent. . . .	68,020
Cash and cash equivalents with escrow agent . . .	62,203
Receivables:	
Property taxes	4,839,433
Income taxes.	1,308,461
Accounts.	32,297
Accrued interest	520
Intergovernmental	562,613
Prepayments	24,650
Materials and supplies inventory.	58,317
Unamortized bond issuance costs	133,584
Capital assets:	
Land	303,182
Depreciable capital assets, net.	28,967,110
Capital assets, net	29,270,292
Total assets.	39,948,601
Liabilities:	
Accounts payable.	77,126
Contracts payable.	91,770
Retainage payable	62,203
Accrued wages and benefits	925,868
Pension obligation payable.	214,655
Intergovernmental payable	61,252
Accrued interest payable	54,740
Unearned revenue	3,961,125
Long-term liabilities:	
Due within one year.	1,057,176
Due in more than one year.	17,734,607
Total liabilities	24,240,522
Net Assets:	
Invested in capital assets, net of related debt.	13,202,952
Restricted for:	
Capital projects	2,388,926
Classroom facilities maintenance	265,235
Debt service.	868,814
Federally funded programs	113,332
Student activities	45,014
Other purposes	170,770
Unrestricted (deficit).	(1,346,964)
Total net assets	\$ 15,708,079

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:					
Instruction:					
Regular	\$ 5,749,732	\$ 629,001	\$ 39,706	\$ 3,256	\$ (5,077,769)
Special	978,076	7,366	460,092	-	(510,618)
Vocational	49,790	166	35,950	-	(13,674)
Other	750,045	-	2,098	-	(747,947)
Support services:					
Pupil.	682,415	10,056	12,344	-	(660,015)
Instructional staff	392,665	852	10,836	-	(380,977)
Board of education	22,439	-	-	-	(22,439)
Administration.	812,579	866	-	-	(811,713)
Fiscal.	401,990	16,132	10,256	-	(375,602)
Business.	60,435	-	-	-	(60,435)
Operations and maintenance	1,341,685	10,619	745	571	(1,329,750)
Pupil transportation.	868,085	28,270	83,990	-	(755,825)
Central	234,276	714	6,374	-	(227,188)
Operation of non-instructional services:					
Other non-instructional services	31,832	1,362	27,632	-	(2,838)
Food service operations	457,555	256,262	149,913	-	(51,380)
Extracurricular activities.	479,779	129,675	13,695	-	(336,409)
Interest and fiscal charges	1,164,477	-	-	-	(1,164,477)
Totals	\$ 14,477,855	\$ 1,091,341	\$ 853,631	\$ 3,827	(12,529,056)
General Revenues:					
Property taxes levied for:					
General purposes					3,398,968
Facilities maintenance					75,864
Debt service.					1,203,707
Capital outlay.					122,182
Income taxes levied for:					
General purposes					2,536,342
Grants and entitlements not restricted					
to specific programs					4,970,334
Investment earnings					5,538
Miscellaneous					47,411
Total general revenues					12,360,346
Change in net assets					(168,710)
Net assets at beginning of year.					15,876,789
Net assets at end of year					\$ 15,708,079

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 446,452	\$ 696,237	\$ 1,388,509	\$ 1,057,013	\$ 3,588,211
Cash and cash equivalents with fiscal agent . . .	-	-	-	68,020	68,020
Receivables:					
Property taxes.	3,425,905	1,213,858	-	199,670	4,839,433
Income taxes	1,308,461	-	-	-	1,308,461
Accounts	30,042	-	209	2,046	32,297
Accrued interest	515	-	5	-	520
Intergovernmental.	1,494	-	466,541	94,578	562,613
Prepayments.	5,960	-	-	18,690	24,650
Materials and supplies inventory.	53,492	-	-	4,825	58,317
Due from other funds	2,879	-	-	-	2,879
Restricted assets:					
Cash and cash equivalents with escrow agent . .	-	-	52,020	10,183	62,203
Total assets	<u>\$ 5,275,200</u>	<u>\$ 1,910,095</u>	<u>\$ 1,907,284</u>	<u>\$ 1,455,025</u>	<u>\$ 10,547,604</u>
Liabilities:					
Accounts payable	\$ 74,225	\$ -	\$ -	\$ 2,901	\$ 77,126
Contracts payable.	-	-	88,645	3,125	91,770
Retainage payable.	-	-	52,020	10,183	62,203
Accrued wages and benefits.	899,793	-	-	26,075	925,868
Compensated absences payable	87,467	-	-	-	87,467
Early retirement incentive payable	168,266	-	-	-	168,266
Pension obligation payable	200,933	-	-	13,722	214,655
Intergovernmental payable	59,254	-	-	1,998	61,252
Due to other funds	-	-	-	2,879	2,879
Deferred revenue	392,838	20,081	466,750	96,400	976,069
Unearned revenue.	2,812,146	986,541	-	162,438	3,961,125
Total liabilities.	<u>4,694,922</u>	<u>1,006,622</u>	<u>607,415</u>	<u>319,721</u>	<u>6,628,680</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	53,492	-	-	4,825	58,317
Prepays.	5,960	-	-	18,690	24,650
Restricted:					
Debt service	-	903,473	-	-	903,473
Capital improvements	-	-	1,299,869	620,184	1,920,053
Classroom facilities maintenance	-	-	-	263,946	263,946
Food service operations	-	-	-	107,358	107,358
Special education	-	-	-	3,903	3,903
Extracurricular	-	-	-	44,064	44,064
Other purposes.	-	-	-	73,225	73,225
Assigned:					
Student instruction	3,363	-	-	-	3,363
Student and staff support.	46,468	-	-	-	46,468
Extracurricular activities	932	-	-	-	932
Subsequent year appropriations	47,941	-	-	-	47,941
Unassigned (deficit).	422,122	-	-	(891)	421,231
Total fund balances	<u>580,278</u>	<u>903,473</u>	<u>1,299,869</u>	<u>1,135,304</u>	<u>3,918,924</u>
Total liabilities and fund balances	<u>\$ 5,275,200</u>	<u>\$ 1,910,095</u>	<u>\$ 1,907,284</u>	<u>\$ 1,455,025</u>	<u>\$ 10,547,604</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	3,918,924
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			29,270,292
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	79,713	
Income taxes receivable		326,870	
Accounts receivable		11,433	
Intergovernmental receivable		558,053	
Total		<u>976,069</u>	976,069
Unamortized bond issuance costs are not recognized in the funds.			133,584
Unamortized premiums on bond issuance costs are not recognized in the funds.			(521,264)
Unamortized losses on refundings are not recognized in the funds.			280,638
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.			(54,740)
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		(17,126,660)	
Compensated absences		(1,168,764)	
Total		<u>(18,295,424)</u>	(18,295,424)
Net assets of governmental activities		<u>\$</u>	<u>15,708,079</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 3,399,773	\$ 1,204,085	\$ -	\$ 198,108	\$ 4,801,966
Income taxes	2,312,566	-	-	-	2,312,566
Tuition	563,034	-	-	-	563,034
Transportation fees	3,366	-	-	47,345	50,711
Earnings on investments	5,538	50	3,303	20,159	29,050
Charges for services	-	-	-	273,331	273,331
Extracurricular	18,864	-	-	105,736	124,600
Classroom materials and fees	66,475	-	-	-	66,475
Rental income	8,578	-	-	-	8,578
Contributions and donations	12,625	-	-	20,036	32,661
Contract services	151	-	-	-	151
Other local revenues	38,680	-	-	5,245	43,925
Intergovernmental - intermediate	20,152	-	-	-	20,152
Intergovernmental - state	4,992,299	189,238	40,875	38,705	5,261,117
Intergovernmental - federal	-	-	-	530,702	530,702
Total revenues	<u>11,442,101</u>	<u>1,393,373</u>	<u>44,178</u>	<u>1,239,367</u>	<u>14,119,019</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,253,433	-	155,649	118,057	5,527,139
Special	734,185	-	-	246,936	981,121
Vocational	100,390	-	-	253	100,643
Other	746,760	-	-	3,285	750,045
Support services:					
Pupil	632,761	-	-	26,179	658,940
Instructional staff	338,606	-	-	10,798	349,404
Board of education	22,420	-	-	-	22,420
Administration	804,724	-	-	96	804,820
Fiscal	362,206	22,491	-	29,137	413,834
Business	56,256	-	-	-	56,256
Operations and maintenance	933,446	-	-	77,664	1,011,110
Pupil transportation	727,045	-	-	98,163	825,208
Central	177,272	-	2,214	16,220	195,706
Operation of non-instructional services:					
Other non-instructional services	3,396	-	-	28,436	31,832
Food service operations	-	-	-	391,485	391,485
Extracurricular activities	282,377	-	-	113,550	395,927
Facilities acquisition and construction	4,196	-	1,107,122	515,383	1,626,701
Debt service:					
Principal retirement	-	318,882	-	-	318,882
Interest and fiscal charges	-	661,397	-	-	661,397
Accretion on capital appreciation bonds	-	311,118	-	-	311,118
Total expenditures	<u>11,179,473</u>	<u>1,313,888</u>	<u>1,264,985</u>	<u>1,675,642</u>	<u>15,433,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>262,628</u>	<u>79,485</u>	<u>(1,220,807)</u>	<u>(436,275)</u>	<u>(1,314,969)</u>
Other financing sources (uses):					
Sale of assets	8,471	-	-	-	8,471
Transfers in	-	-	-	71,165	71,165
Transfers (out)	(71,165)	-	-	-	(71,165)
Total other financing sources (uses)	<u>(62,694)</u>	<u>-</u>	<u>-</u>	<u>71,165</u>	<u>8,471</u>
Net change in fund balances	199,934	79,485	(1,220,807)	(365,110)	(1,306,498)
Fund balances at beginning of year	<u>380,344</u>	<u>823,988</u>	<u>2,520,676</u>	<u>1,500,414</u>	<u>5,225,422</u>
Fund balances at end of year	<u>\$ 580,278</u>	<u>\$ 903,473</u>	<u>\$ 1,299,869</u>	<u>\$ 1,135,304</u>	<u>\$ 3,918,924</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (1,306,498)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 1,624,270	
Current year depreciation	(900,764)	
Total		723,506

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (408,889)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(1,245)	
Income taxes	223,776	
Tuition	(3,877)	
Charges for services	526	
Extracurricular	(363)	
Classroom materials and fees	3,248	
Other local revenue	1,644	
Intergovernmental	(33,583)	
Total		190,126

Repayment of bond principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	318,882	
Payment of accretion	311,118	
Total		630,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	26,316	
Accreted interest on capital appreciation bonds	(535,253)	
Amortization of bond issuance costs	(6,251)	
Amortization of bond premiums	27,699	
Amortization of unamortized loss	(15,591)	
Total		(503,080)

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. 506,125

Change in net assets of governmental activities \$ (168,710)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,242,996	\$ 3,389,489	\$ 3,389,489	\$ -
Income taxes	1,899,185	1,984,976	1,984,976	-
Tuition	541,430	565,888	565,888	-
Transportation fees	3,221	3,366	3,366	-
Earnings on investments	5,211	5,446	5,446	-
Extracurricular	1,160	1,212	1,212	-
Classroom materials and fees	36,070	37,699	37,699	-
Rental income	9,164	9,578	9,578	-
Contributions and donations	2,773	2,898	2,898	-
Contract services	144	151	151	-
Other local revenues	18,442	19,275	19,275	-
Intergovernmental - intermediate	9,713	10,152	10,152	-
Intergovernmental - state	4,776,949	4,992,735	4,992,735	-
Total revenues	<u>10,546,458</u>	<u>11,022,865</u>	<u>11,022,865</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,059,141	5,005,096	5,005,096	-
Special	286,571	731,960	731,960	-
Vocational	696	84,431	84,431	-
Other	14,872	746,533	746,533	-
Support services:				
Pupil	172,140	581,847	581,847	-
Instructional staff	26,064	345,953	345,953	-
Board of education	189,183	20,625	20,625	-
Administration	59,320	797,240	797,240	-
Fiscal	2,409	353,646	353,646	-
Business	55,810	60,489	60,489	-
Operations and maintenance	437,087	993,733	993,733	-
Pupil transportation	82,351	732,948	732,948	-
Central	28,991	229,538	229,538	-
Operation of non-instructional services	127	24	24	-
Extracurricular activities	3,056	283,164	283,164	-
Facilities acquisition and construction	4,686	4,196	4,196	-
Total expenditures	<u>10,422,504</u>	<u>10,971,423</u>	<u>10,971,423</u>	<u>-</u>
Excess of revenues over expenditures	<u>123,954</u>	<u>51,442</u>	<u>51,442</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	7,292	7,621	7,621	-
Transfers in	-	102	102	-
Transfers (out)	(445,000)	(71,165)	(71,165)	-
Advances in	209	8,247	8,247	-
Advances (out)	-	(8,038)	(8,038)	-
Sale of assets	-	8,471	8,471	-
Total other financing sources (uses)	<u>(437,499)</u>	<u>(54,762)</u>	<u>(54,762)</u>	<u>-</u>
Net change in fund balance	(313,545)	(3,320)	(3,320)	-
Fund balance at beginning of year (restated)	74,061	74,061	74,061	-
Prior year encumbrances appropriated	239,484	239,484	239,484	-
Fund balance (deficit) at end of year	<u>\$ -</u>	<u>\$ 310,225</u>	<u>\$ 310,225</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 15,851	\$ 65,328
Total assets.	<u>15,851</u>	<u>\$ 65,328</u>
Liabilities:		
Undistributed monies	-	\$ 3,424
Due to students.	-	61,904
Total liabilities	<u>-</u>	<u>\$ 65,328</u>
Net assets:		
Held in trust for scholarships	<u>15,851</u>	
Total net assets	<u>\$ 15,851</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 15
Total additions.	15
 Deductions:	
Scholarships awarded	5,137
Change in net assets.	(5,122)
Net assets at beginning of year	20,973
Net assets at end of year.	\$ 15,851

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in three jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

B. Fund Accounting

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

Governmental Funds

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

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

Bond retirement fund - The bond retirement fund accounts for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

Classroom facilities fund - The classroom facilities capital projects fund accounts for restricted revenues and expenditures for the Ohio School Facilities Commission shared-funding high school building project.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects.

Fiduciary Funds

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

C. Basis of Presentation

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

D. Measurement Focus

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

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

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

E. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue – Unearned revenue and deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

The balance of programs administered and held by a fiscal agent is presented on the balance sheet as “cash and cash equivalents with fiscal agent” and represents deposits on hand with the Miami East Education Foundation.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has escrow accounts to hold retainage amounts owed to contractors until payments are made on the projects. The monies held in these accounts are presented as “restricted assets: cash and cash equivalents with escrow agent,” on the financial statements.

During fiscal year 2012, the District invested in STAR Ohio (State Treasury Asset Reserve of Ohio) and a money market mutual fund. Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s shares price which is the price the investment could be sold for on June 30, 2012.

Following Ohio Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2012 amounted to \$5,538 which includes \$4,667 assigned from other District funds.

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the classroom facilities fund and the building fund (a nonmajor governmental fund) represent cash equivalents legally required by statute to be set aside by the District for retainage on construction contracts.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$750. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the District.

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

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

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued. Accretion on the capital appreciation bonds is not recorded.

N. Loss on Advance Refunding

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

O. 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts restricted for food service operations and the Miami East Educational Foundation.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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 District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

R. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net assets. There were no interfund loans receivable/payable outstanding at June 30, 2012. Receivables and payables resulting from negative cash are classified as "due to/due from other funds". These amounts are eliminated in the governmental type activities columns of the statement of net assets.

S. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The public school preschool fund (a nonmajor governmental fund) is administered by a fiscal agent and is not budgeted by the District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that was in effect at the time the final appropriations were passed by the Board of Education.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

T. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 49
Race to the top	20
Title I	753
Improving teacher quality	69

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2011 is as follows:

Budgetary Basis	<u>General Fund</u>
Fund balance at June 30, 2011	\$ 133,041
Funds budgeted elsewhere	<u>(58,980)</u>
Restated fund balance at July 1, 2011	<u>\$ 74,061</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

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 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.

A. Cash and Cash Equivalents with Fiscal Agent

At fiscal year end, \$68,020 was on deposit for the Miami East Education Foundation. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash and cash equivalents with fiscal agent".

B. Cash and Cash Equivalents with Escrow Agent

At fiscal year end, \$62,203 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash and cash equivalents with escrow agent".

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$2,223,711. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,060,969 of the District's bank balance of \$2,310,969 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2012, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 895,587	\$ 895,587
U.S. Government Money Market	612,295	612,295
Total	<u>\$ 1,507,882</u>	<u>\$ 1,507,882</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned STAR Ohio and the U.S. Government Money Market an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 895,587	59.39
U.S. Governmental Money Market	<u>612,295</u>	<u>40.61</u>
Total	<u>\$ 1,507,882</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,223,711
Investments	1,507,882
Cash and cash equivalents with fiscal agent	<u>68,020</u>
Total	<u>\$ 3,799,613</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,718,434
Private purpose trust funds	15,851
Agency funds	<u>65,328</u>
Total	<u>\$ 3,799,613</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2012 as reported on the fund financial statements, consist of the following individual due to/due from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 2,879</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover negative cash balances in specific funds when revenues were not received by June 30. Project cash for these grants were requested at fiscal year-end but monies had not been received due to timing issues. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 71,165</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, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Miami County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$560,268 in the general fund, \$207,236 in the bond retirement fund, \$20,881 in the permanent improvement fund (a nonmajor governmental fund) and \$12,980 in the classroom maintenance facilities fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$549,985 in the general fund, \$203,769 in the bond retirement fund, \$20,514 in the permanent fund (a nonmajor governmental fund) and \$12,753 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 178,206,550	95.96	\$ 179,542,010	96.01
Public utility personal	7,336,590	3.95	7,453,860	3.99
Tangible personal property	<u>168,660</u>	<u>0.09</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 185,711,800</u>	<u>100.00</u>	<u>\$ 186,995,870</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$43.34		\$38.00	
Bond	7.40		7.40	
Permanent improvement	0.80		0.80	
Facilities maintenance	0.50		0.50	

NOTE 7 - INCOME TAX

In November 2011, the District voters approved the replacement of the 1.00% tax on all income of individuals. Income taxes are now levied at 1.75% on earned income of individuals residing in the District. Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 – RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 4,839,433
Income taxes	1,308,461
Accounts	32,297
Accrued interest	520
Intergovernmental:	
Ohio School Facilities Commission	466,541
Race to the Top	14,682
Title I	79,708
Miscellaneous reimbursements	<u>1,682</u>
Total	<u>\$ 6,743,324</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 303,182	\$ -	\$ -	\$ 303,182
Construction in progress	<u>15,025,688</u>	<u>907,385</u>	<u>(15,933,073)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>15,328,870</u>	<u>907,385</u>	<u>(15,933,073)</u>	<u>303,182</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,552,346	98,456	(3,740)	1,647,062
Buildings and improvements	14,409,709	15,933,073	(1,092,968)	29,249,814
Furniture, fixtures and equipment	1,917,597	618,429	(196,408)	2,339,618
Vehicles	<u>1,405,500</u>	<u>-</u>	<u>(104,992)</u>	<u>1,300,508</u>
Total capital assets, being depreciated	<u>19,285,152</u>	<u>16,649,958</u>	<u>(1,398,108)</u>	<u>34,537,002</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(465,896)	(66,619)	1,465	(531,050)
Buildings and improvements	(2,633,996)	(600,420)	709,473	(2,524,943)
Furniture, fixtures and equipment	(1,433,269)	(179,354)	173,289	(1,439,334)
Vehicles	<u>(1,125,186)</u>	<u>(54,371)</u>	<u>104,992</u>	<u>(1,074,565)</u>
Total accumulated depreciation	<u>(5,658,347)</u>	<u>(900,764)</u>	<u>989,219</u>	<u>(5,569,892)</u>
Governmental activities capital assets, net	<u>\$ 28,955,675</u>	<u>\$ 16,656,579</u>	<u>\$ (16,341,962)</u>	<u>\$ 29,270,292</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 304,329
Special	37,327
Vocational	18,075

Support services:

Pupil	78,832
Instructional staff	35,013
Administration	49,102
Fiscal	4,713
Business	3,862
Operations and maintenance	100,351
Pupil transportation	51,392
Central	50,173
Food service operations	68,757
Extracurricular	<u>98,838</u>
Total depreciation expense	<u>\$ 900,764</u>

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2002 School Improvement Bonds					
24.56% - Original Issue of Capital					
Appreciation Bonds \$204,992	\$ 94,185	\$ -	\$ (38,882)	\$ 55,303	\$ 30,842
Accretion on Capital Appreciation Bonds	435,754	379,047	(311,118)	503,683	319,158
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	3,000,000	-	(135,000)	2,865,000	150,000
4.25-4.50% - Term Bonds \$6,020,000	6,020,000	-	-	6,020,000	-
11.85-11.98% - Original Issue on Capital					
Appreciation Bonds \$744,998	744,998	-	-	744,998	-
Accretion on Capital Appreciation Bonds	470,226	135,811	-	606,037	-
Unamortized Loss	(296,229)	-	15,591	(280,638)	-
Premium on Debt Issue	471,086	-	(24,794)	446,292	-
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000	965,000	-	(145,000)	820,000	150,000
4.00-5.13% - Term Bonds \$5,355,000	5,355,000	-	-	5,355,000	-
14.96-14.98% - Original Issue on Capital					
Appreciation Bonds \$99,997	99,997	-	-	99,997	-
Accretion on Capital Appreciation Bonds	36,247	20,395	-	56,642	-
Premium on Debt Issue	77,877	-	(2,905)	74,972	-
Compensated absences	1,674,889	177,995	(428,387)	1,424,497	407,176
Total long-term obligations, governmental activities	<u>\$ 19,149,030</u>	<u>\$ 713,248</u>	<u>\$ (1,070,495)</u>	<u>\$ 18,791,783</u>	<u>\$ 1,057,176</u>

On June 1, 2002, Miami East Local District issued \$9,999,992 in school improvement general obligation bonds. The bonds were issued for a 28-year period with final maturity to occur during fiscal year 2030. \$3,825,000 of the serial bonds were refunded during fiscal year 2007 leaving a balance of \$665,000 that was paid by the District during fiscal years 2008 and 2009. The entire balance of the term bonds was refunded in the amount of \$4,390,000. The balance of the refunded bonds at June 30, 2012 was \$8,215,000.

The 2002 capital appreciation bonds issued at \$204,992 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 thru 2014, with a maturity amount of \$350,000 each fiscal year. For fiscal year 2012, the capital appreciation bonds were accreted \$379,047.

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

The 2007 capital appreciation bonds issued at \$744,998 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 thru 2018, with a maturity amount of \$530,000 in fiscal years 2015 through 2017, and \$540,000 in fiscal year 2018. For fiscal year 2012, the capital appreciation bonds were accreted \$135,811.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements.

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

Sinking Fund Redemption Date	Principal Amount to be Redeemed	Maturity Date	Principal at Maturity
12/1/2019	\$180,000	12/1/2020	\$190,000
12/1/2021	\$195,000	12/1/2022	\$210,000
12/1/2023	\$215,000	12/1/2024	\$225,000
12/1/2025	\$235,000	12/1/2026	\$245,000
12/1/2027	\$255,000	12/1/2028	\$270,000
12/1/2029	\$285,000	12/1/2030	\$300,000
12/1/2031	\$315,000	12/1/2032	\$330,000

**MIAMI EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

The Current Interest Bonds due December 1, 2037 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2033 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2033	\$345,000
2034	\$360,000
2035	\$380,000
2036	\$400,000

Unless otherwise called for redemption, the remaining \$420,000 principal amount of the Current Interest Bonds due December 1, 2037 is to be paid at stated maturity.

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

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018 and 2019, with a maturity amount of \$180,000 during both fiscal years. For fiscal year 2012, the capital appreciation bonds were accreted \$20,395.

Compensated absences will be paid from the general fund and food service fund (a nonmajor governmental fund).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following table provides a summary of the District's future obligation for the general obligation bonds:

2002 School Improvement Bonds						
<u>Capital Appreciation Bonds</u>						
Fiscal Year Ending						
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>			
2013	\$ 30,842	\$ 319,158	\$ 350,000			
2014	24,461	325,539	350,000			
Total	<u>\$ 55,303</u>	<u>\$ 644,697</u>	<u>\$ 700,000</u>			

2007 School Improvement Refunding Bonds						
Fiscal Year Ending	<u>Serial and Term Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>						
2013	\$ 150,000	\$ 378,710	\$ 528,710	\$ -	\$ -	\$ -
2014	150,000	372,710	522,710	-	-	-
2015	-	369,711	369,711	217,915	312,085	530,000
2016	-	369,711	369,711	194,584	335,416	530,000
2017	-	369,711	369,711	173,848	356,152	530,000
2018 - 2022	2,380,000	1,660,683	4,040,683	158,651	381,349	540,000
2023 - 2027	3,670,000	983,699	4,653,699	-	-	-
2028 - 2030	<u>2,535,000</u>	<u>170,211</u>	<u>2,705,211</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,885,000</u>	<u>\$ 4,675,146</u>	<u>\$ 13,560,146</u>	<u>\$ 744,998</u>	<u>\$ 1,385,002</u>	<u>\$ 2,130,000</u>

2009 School Improvement Bonds						
Fiscal Year Ending	<u>Serial and Term Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>						
2013	\$ 150,000	\$ 273,299	\$ 423,299	\$ -	\$ -	\$ -
2014	160,000	269,423	429,423	-	-	-
2015	165,000	264,948	429,948	-	-	-
2016	170,000	259,923	429,923	-	-	-
2017	175,000	254,530	429,530	-	-	-
2018 - 2022	565,000	1,225,130	1,790,130	99,997	260,003	360,000
2023 - 2027	1,130,000	1,032,814	2,162,814	-	-	-
2028 - 2032	1,425,000	748,862	2,173,862	-	-	-
2033 - 2037	1,815,000	348,936	2,163,936	-	-	-
2038	<u>420,000</u>	<u>10,762</u>	<u>430,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,175,000</u>	<u>\$ 4,688,627</u>	<u>\$ 10,863,627</u>	<u>\$ 99,997</u>	<u>\$ 260,003</u>	<u>\$ 360,000</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012 are a voted debt margin of \$1,772,803, including available funds of \$903,473, an unvoted debt margin of \$186,996.

NOTE 11 - RISK MANAGEMENT

Property and Liability

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

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

Workers' Compensation

For fiscal year 2012, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - RISK MANAGEMENT - (Continued)

Medical Benefits

For fiscal year 2012, the District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 Districts (Note 18). The District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$165,133, \$157,306 and \$226,296, respectively; 61.55 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$642,141, \$685,169 and \$667,169, respectively; 84.49 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$15,508 made by the District and \$11,077 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$34,405, \$46,301 and \$35,219, respectively; 61.55 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,752, \$10,123 and \$13,457, respectively; 61.55 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$49,395, \$52,705 and \$51,321, respectively; 84.49 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory time. Personal leave is accrued at three days per fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 40 hours and any accumulated, unused balance is paid out upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 298 days for all certified employees and 290 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 74.50 days for certified employees and 72.50 days for classified employees.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)

Special Termination Benefits

During a prior fiscal year, the District entered into an agreement which offered employees who were eligible to retire as of June 20, 2011 an early retirement incentive. Eligible employees would receive up to \$40,000, plus an amount equivalent to the employees applicable contractual sick leave pay. As of June 30, 2012, the liability for the early retirement incentive was \$511,466 payable to the plan sponsor in three annual installments through fiscal year 2014. Liability is recorded as part of compensated absences on government wide statements.

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) (Note 18). The District also provides dental insurance through Delta Dental and vision insurance through Vision Insurance Plan to all eligible employees.

Deferred Compensation Plan

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

125 Plan

The District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (3,320)
Net adjustment for revenue accruals	346,103
Net adjustment for expenditure accruals	(211,771)
Net adjustment for other sources/uses	(7,932)
Funds budgeted elsewhere	(4,213)
Adjustment for encumbrances	81,067
GAAP basis	\$ 199,934

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and public school support fund.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 16 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	210,154
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(228,450)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (18,296)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL

Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association:

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. The District paid MDECA \$65,919 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Southwestern Ohio Educational Purchasing Council:

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2012, the District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association:

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2012, the District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Insurance Purchasing Pools

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

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Ohio School Plan:

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 50,763
Other governmental	<u>46,434</u>
Total	<u>\$ 97,197</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District has commitments with the following companies for various projects.

	Contract Amount	Amount Expended as of June 30, 2012	Amount Remaining on Contract
Balsbaugh	\$ 8,065	\$ -	\$ 8,065
Buehrer Group Architect	1,028,300	(1,002,202)	26,098
Four Season Environmental Inc.	55,974	(51,911)	4,063
Craynon Fire Protection	120,172	(118,670)	1,502
GM Mechanical	1,918,370	(1,915,235)	3,135
Quandel	940,699	(907,719)	32,980
Total	<u>\$ 4,071,580</u>	<u>\$ (3,995,737)</u>	<u>\$ 75,843</u>

Miami East Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	46,180	51,568
Cash Assistance				
National School Lunch Program	LL-P4	10.555	<u>110,758</u>	<u>110,758</u>
Total U.S. Department of Agriculture			<u>156,938</u>	<u>162,326</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	38,841	36,439
Title I Grant - ARRA	C1-S1	84.389	<u>13,892</u>	<u>18,475</u>
Total Title I Cluster			<u>52,733</u>	<u>54,914</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	208,596	204,654
IDEA Preschool	6B-SF	84.173	<u>4,786</u>	<u>4,786</u>
Total Special Education Cluster			<u>213,382</u>	<u>209,440</u>
Drug Free Schools and Communities	DR-10	84.186	-	140
Title II-D - Technology	TJ-S1	84.318	974	974
Improving Teacher Quality	CR-S1	84.367	30,098	30,098
Ed Jobs	N/A	84.410	158,242	149,216
Race to the Top - ARRA	N/A	84.395A	<u>8,277</u>	<u>5,924</u>
Total Passed Through U.S. Department of Education			<u>463,706</u>	<u>450,706</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>620,644</u>	\$ <u>613,032</u>

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

Miami East Local School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2012, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 previously.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 30, 2012.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2012

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Miami East Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 30, 2012

**Miami East Local School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2012**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? No

Identification of major programs:

Special Education Cluster
CFDA 84.027 – IDEA B
CFDA 84.173 – IDEA Preschool

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 Awards Findings and Questioned Costs

None

Section IV – Summary of Prior Audit Findings and Questioned Costs

Finding 2011-001 – Internal Controls over Financial Reporting. Corrected

Finding 2011-002 – Noncompliance with cash management for State Fiscal Stabilization - ARRA CFDA 84.394. Corrected.

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Dave Yost • Auditor of State

MIAMI EAST LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2013