



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Miami Trace Local School District  
Fayette County  
1400 U.S. Rt. 22 NW  
Washington Court House, Ohio 43160

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Miami Trace Local School District, Fayette County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Miami Trace Local School District, Fayette County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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 *December 10, 2001* on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

December 10, 2001

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Miami Trace Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service
<b>Assets and Other Debits:</b>					
Equity in Pooled Cash and Investments	\$1,541,292	\$395,363	\$522,983	\$87,417	\$64
Restricted Equity in Pooled Cash and Investments	301,737	0	0	0	0
Receivables:					
Taxes	7,043,878	0	850,182	0	0
Intergovernmental	4,375	214,881	0	0	0
Accounts	51,523	5,026	0	1,104	0
Accrued Interest	969	405	0	0	0
Interfund Receivable	7,128	0	0	0	0
Advances Receivable	295,000	0	0	0	0
Inventory	0	0	0	7,828	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	85,952	0
Other Debits:					
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b>\$9,245,902</b>	<b>\$615,675</b>	<b>\$1,373,165</b>	<b>\$182,301</b>	<b>\$64</b>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$59,973	\$28,981	\$51,799	\$873	\$0
Accrued Wages & Benefits	1,417,382	115,312	0	79,557	0
Compensated Absences Payable	160,428	0	0	16,802	0
Interfund Payable	0	7,128	0	0	0
Advances Payable	0	0	0	295,000	0
Deferred Revenue	4,600,889	71,397	554,394	3,190	0
Due to Students	0	0	0	0	0
Judgements Payable	0	0	0	0	0
Claims Payable	0	0	0	0	280,185
<b>Total Liabilities</b>	<b>6,238,672</b>	<b>222,818</b>	<b>606,193</b>	<b>395,422</b>	<b>280,185</b>
<b>Fund Equity &amp; Other Credits:</b>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	69,927	0
Retained Earnings:					
Unreserved	0	0	0	(283,048)	(280,121)
Fund Balance:					
Reserved for Encumbrances	258,287	53,963	96,786	0	0
Reserved for Property Tax Advances	2,442,989	0	295,788	0	0
Reserved for Endowments	0	0	0	0	0
Reserved for Set-Asides	59,829	0	0	0	0
Reserved for Advances Receivable	295,000	0	0	0	0
Designated for Set-Asides	241,908	0	0	0	0
Unreserved & Undesignated	(290,783)	338,894	374,398	0	0
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b>3,007,230</b>	<b>392,857</b>	<b>766,972</b>	<b>(213,121)</b>	<b>(280,121)</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$9,245,902</b>	<b>\$615,675</b>	<b>\$1,373,165</b>	<b>\$182,301</b>	<b>\$64</b>

See accompanying notes.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$402,169	\$0	\$0	\$2,949,288
0	0	0	301,737
0	0	0	7,894,060
0	0	0	219,256
1,876	0	0	59,529
0	0	0	1,374
0	0	0	7,128
0	0	0	295,000
0	0	0	7,828
0	12,976,509	0	13,062,461
0	0	924,313	924,313
<u>\$404,045</u>	<u>\$12,976,509</u>	<u>\$924,313</u>	<u>\$25,721,974</u>
\$9,262	\$0	\$0	\$150,888
0	0	106,331	1,718,582
0	0	763,465	940,695
0	0	0	7,128
0	0	0	295,000
0	0	0	5,229,870
77,263	0	0	77,263
0	0	54,517	54,517
0	0	0	280,185
<u>86,525</u>	<u>0</u>	<u>924,313</u>	<u>8,754,128</u>
0	12,976,509	0	12,976,509
0	0	0	69,927
0	0	0	(563,169)
0	0	0	409,036
0	0	0	2,738,777
279,105	0	0	279,105
0	0	0	59,829
0	0	0	295,000
0	0	0	241,908
<u>38,415</u>	<u>0</u>	<u>0</u>	<u>460,924</u>
<u>317,520</u>	<u>12,976,509</u>	<u>0</u>	<u>16,967,846</u>
<u>\$404,045</u>	<u>\$12,976,509</u>	<u>\$924,313</u>	<u>\$25,721,974</u>

Miami Trace Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2001

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
Taxes	\$7,061,525	\$0	\$799,530	\$0	\$7,861,055
Intergovernmental	8,403,217	1,294,938	221,915	0	9,920,070
Investment	161,475	7,062	16,045	138	184,720
Tuition & Fees	149,067	0	0	0	149,067
Extracurricular Activities	1,067	268,176	0	0	269,243
Miscellaneous	56,329	60,637	0	0	116,966
<b>Total Revenues</b>	<b>15,832,680</b>	<b>1,630,813</b>	<b>1,037,490</b>	<b>138</b>	<b>18,501,121</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	6,748,611	334,758	395,109	200	7,478,678
Special	881,158	453,025	0	0	1,334,183
Vocational	507,468	0	11,551	0	519,019
Other	277,202	5,805	0	0	283,007
<b>Support Services:</b>					
Pupils	720,624	227,861	0	0	948,485
Instructional Staff	360,019	215,165	203,337	0	778,521
Board of Education	22,538	0	0	0	22,538
Administration	2,324,168	124,515	22,041	0	2,470,724
Fiscal	428,364	2,942	21,916	0	453,222
Business	2,687	0	0	0	2,687
Operation & Maintenance of Plant	1,466,573	0	170,793	0	1,637,366
Pupil Transportation	1,471,770	0	0	0	1,471,770
Central	69,178	48,511	0	0	117,689
Operation of Non-Instructional Services	0	1,409	6,432	0	7,841
Extracurricular Activities	239,437	210,961	0	0	450,398
Capital Outlay	0	0	194,954	0	194,954
<b>Total Expenditures</b>	<b>15,519,797</b>	<b>1,624,952</b>	<b>1,026,133</b>	<b>200</b>	<b>18,171,082</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>312,883</b>	<b>5,861</b>	<b>11,357</b>	<b>(62)</b>	<b>330,039</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	73,173	0	0	0	73,173
<b>Total Other Financing Sources (Uses)</b>	<b>73,173</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73,173</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>386,056</b>	<b>5,861</b>	<b>11,357</b>	<b>(62)</b>	<b>403,212</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,621,174</b>	<b>386,996</b>	<b>755,615</b>	<b>2,414</b>	<b>3,766,199</b>
<b>Fund Balance, End of Year</b>	<b>\$3,007,230</b>	<b>\$392,857</b>	<b>\$766,972</b>	<b>\$2,352</b>	<b>\$4,169,411</b>

See accompanying notes.

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Miami Trace Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$6,913,578	\$6,944,835	\$31,257	\$0	\$0	\$0
Intergovernmental	8,406,554	8,404,070	(2,484)	1,367,896	1,152,454	(215,442)
Investment	169,000	165,759	(3,241)	6,552	6,657	105
Tuition & Fees	161,272	149,072	(12,200)	0	0	0
Extracurricular Activities	1,200	1,067	(133)	269,512	268,350	(1,162)
Miscellaneous	81,473	56,163	(25,310)	60,696	61,384	688
<b>Total Revenues</b>	<b>15,733,077</b>	<b>15,720,966</b>	<b>(12,111)</b>	<b>1,704,656</b>	<b>1,488,845</b>	<b>(215,811)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	6,765,663	6,749,656	16,007	392,590	357,405	35,185
Special	886,825	878,525	8,300	567,447	462,448	104,999
Vocational	512,267	510,039	2,228	0	0	0
Other	284,000	280,354	3,646	12,736	8,440	4,296
<b>Support Services:</b>						
Pupils	744,764	717,363	27,401	268,146	231,435	36,711
Instructional Staff	456,131	409,072	47,059	374,371	252,230	122,141
Board of Education	33,050	23,098	9,952	0	0	0
Administration	2,338,267	2,275,378	62,889	172,535	125,267	47,268
Fiscal	497,486	432,244	65,242	2,942	2,942	0
Business	10,000	2,687	7,313	0	0	0
Operation & Maintenance of Plant	1,615,692	1,611,340	4,352	0	0	0
Pupil Transportation	1,520,314	1,503,029	17,285	0	0	0
Central	106,944	82,786	24,158	53,661	48,833	4,828
Operation of Non-Instructional Services	0	0	0	1,409	1,409	0
Extracurricular Activities	245,082	239,437	5,645	246,206	226,777	19,429
Capital Outlay	0	0	0	4,808	0	4,808
<b>Total Expenditures</b>	<b>16,016,485</b>	<b>15,715,008</b>	<b>301,477</b>	<b>2,096,851</b>	<b>1,717,186</b>	<b>379,665</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>(283,408)</b>	<b>5,958</b>	<b>289,366</b>	<b>(392,195)</b>	<b>(228,341)</b>	<b>163,854</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	25,350	24,904	(446)	0	0	0
Advances In	0	0	0	0	7,128	7,128
Advances (Out)	(8,000)	(7,128)	872	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>17,350</b>	<b>17,776</b>	<b>426</b>	<b>0</b>	<b>7,128</b>	<b>7,128</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>(266,058)</b>	<b>23,734</b>	<b>289,792</b>	<b>(392,195)</b>	<b>(221,213)</b>	<b>170,982</b>
<b>Fund Balance,</b>						
<b>Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>1,504,109</b>	<b>1,504,109</b>	<b>0</b>	<b>538,396</b>	<b>538,396</b>	<b>0</b>
<b>Fund Balance,</b>						
<b>End of Year</b>	<b>\$1,238,051</b>	<b>\$1,527,843</b>	<b>\$289,792</b>	<b>\$146,201</b>	<b>\$317,183</b>	<b>\$170,982</b>

See accompanying notes.

Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$796,740	\$786,818	(\$9,922)	\$7,710,318	\$7,731,653	\$21,335
221,915	221,915	0	9,996,365	9,778,439	(217,926)
16,000	16,045	45	191,552	188,461	(3,091)
0	0	0	161,272	149,072	(12,200)
0	0	0	270,712	269,417	(1,295)
0	0	0	142,169	117,547	(24,622)
<u>1,034,655</u>	<u>1,024,778</u>	<u>(9,877)</u>	<u>18,472,388</u>	<u>18,234,589</u>	<u>(237,799)</u>
426,195	422,442	3,753	7,584,448	7,529,503	54,945
0	0	0	1,454,272	1,340,973	113,299
11,551	11,551	0	523,818	521,590	2,228
0	0	0	296,736	288,794	7,942
0	0	0	1,012,910	948,798	64,112
252,665	203,885	48,780	1,083,167	865,187	217,980
0	0	0	33,050	23,098	9,952
79,812	22,041	57,771	2,590,614	2,422,686	167,928
29,000	21,916	7,084	529,428	457,102	72,326
0	0	0	10,000	2,687	7,313
286,576	271,491	15,085	1,902,268	1,882,831	19,437
0	0	0	1,520,314	1,503,029	17,285
0	0	0	160,605	131,619	28,986
6,432	6,432	0	7,841	7,841	0
0	0	0	491,288	466,214	25,074
500,270	251,270	249,000	505,078	251,270	253,808
<u>1,592,501</u>	<u>1,211,028</u>	<u>381,473</u>	<u>19,705,837</u>	<u>18,643,222</u>	<u>1,062,615</u>
<u>(557,846)</u>	<u>(186,250)</u>	<u>371,596</u>	<u>(1,233,449)</u>	<u>(408,633)</u>	<u>824,816</u>
0	0	0	25,350	24,904	(446)
0	0	0	0	7,128	7,128
0	0	0	(8,000)	(7,128)	872
<u>0</u>	<u>0</u>	<u>0</u>	<u>17,350</u>	<u>24,904</u>	<u>7,554</u>
(557,846)	(186,250)	371,596	(1,216,099)	(383,729)	832,370
<u>560,650</u>	<u>560,650</u>	<u>0</u>	<u>2,603,155</u>	<u>2,603,155</u>	<u>0</u>
<u>\$2,804</u>	<u>\$374,400</u>	<u>\$371,596</u>	<u>\$1,387,056</u>	<u>\$2,219,426</u>	<u>\$832,370</u>

Miami Trace Local School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings / Fund Balances  
 All Proprietary Fund Types and Non-Expendable Trust Funds  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Operating Revenues:</b>				
Investment Revenue	\$0	\$0	\$17,075	\$17,075
Charges for Services	708,859	0	0	708,859
Miscellaneous Revenue	100,737	120,330	26,817	247,884
<b>Total Operating Revenues</b>	<b>809,596</b>	<b>120,330</b>	<b>43,892</b>	<b>973,818</b>
<b>Operating Expenses:</b>				
Salaries	418,739	0	0	418,739
Fringe Benefits	176,959	0	0	176,959
Purchased Services	22,416	0	47,587	70,003
Materials & Supplies	477,241	27	0	477,268
Depreciation	22,903	0	0	22,903
Claims	0	190,643	0	190,643
<b>Total Operating Expenses</b>	<b>1,118,258</b>	<b>190,670</b>	<b>47,587</b>	<b>1,356,515</b>
<b>Operating Income (Loss)</b>	<b>(308,662)</b>	<b>(70,340)</b>	<b>(3,695)</b>	<b>(382,697)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Revenue	3,441	4,390	0	7,831
Donated Commodities	21,743	0	0	21,743
Operating Grants - State & Local	11,727	0	0	11,727
Operating Grants - Federal	197,254	0	0	197,254
<b>Total Non-Operating Revenues</b>	<b>234,165</b>	<b>4,390</b>	<b>0</b>	<b>238,555</b>
<b>Net Income (Loss)</b>	<b>(74,497)</b>	<b>(65,950)</b>	<b>(3,695)</b>	<b>(144,142)</b>
<b>Retained Earnings / Fund Balance (Deficit), Beginning of Year</b>	<b>(208,551)</b>	<b>(214,171)</b>	<b>318,863</b>	<b>(103,859)</b>
<b>Retained Earnings / Fund Balance (Deficit), End of Year</b>	<b>(\$283,048)</b>	<b>(\$280,121)</b>	<b>\$315,168</b>	<b>(\$248,001)</b>

See accompanying notes.

Miami Trace Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Fund  
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Non-Expendable Trust	(Memorandum only)
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Investment Earnings	\$0	\$0	\$18,157	\$18,157
Cash Received from Charges for Services	709,226	0	0	709,226
Cash Received from Miscellaneous Sources	100,138	120,575	26,717	247,430
Cash Payments for Personal Services	(581,634)	(173,027)	0	(754,661)
Cash Payments for Contract Services	(22,461)	0	(45,087)	(67,548)
Cash Payments for Supplies & Materials	(468,495)	(27)	0	(468,522)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(263,226)</b>	<b>(52,479)</b>	<b>(213)</b>	<b>(315,918)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash Received from Operating Grants	208,981	0	0	208,981
Cash Received from Investment Earnings	3,441	4,390	0	7,831
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>212,422</b>	<b>4,390</b>	<b>0</b>	<b>216,812</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(19,454)	0	0	(19,454)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(19,454)</b>	<b>0</b>	<b>0</b>	<b>(19,454)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(70,258)</b>	<b>(48,089)</b>	<b>(213)</b>	<b>(118,560)</b>
Cash and Cash Equivalents at Beginning of Year	157,675	48,153	317,781	523,609
Cash and Cash Equivalents at End of Year	\$87,417	\$64	\$317,568	\$405,049
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	(\$308,662)	(\$70,340)	(\$3,695)	(\$382,697)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation	22,903	0	0	22,903
Donated Commodities Used	21,743	0	0	21,743
<b>Changes in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivables	(232)	0	(100)	(332)
(Increase) Decrease in Accrued Interest	0	245	1,082	1,327
(Increase) Decrease in Materials & Supplies Inventory	(512)	0	0	(512)
Increase (Decrease) in Accounts Payable	(12,672)	0	2,500	(10,172)
Increase (Decrease) in Accrued Wages & Benefits	11,164	0	0	11,164
Increase (Decrease) in Compensated Absences Payable	2,900	0	0	2,900
Increase (Decrease) in Claims Payable	0	17,616	0	17,616
Increase (Decrease) in Deferred Revenue	142	0	0	142
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(263,226)</b>	<b>(52,479)</b>	<b>(213)</b>	<b>(315,918)</b>
<b>Reconciliation of Non-Expendable Trust Fund to balance sheet:</b>				
Cash and cash equivalents - All Fiduciary Funds			\$402,169	
Cash and cash equivalents - Expendable Trust and Agency Funds			84,601	
Cash and cash equivalents - Non-Expendable Trust Fund			\$317,568	

See accompanying notes.

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**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 1 DESCRIPTION OF THE DISTRICT**

July 1, 1955, was a historical date in Fayette County. The Miami Trace School District was officially formed when the eight school districts of Concord, Green, Jasper, Madison, Marion, Perry, Union, and Wayne merged. On January 1, 1956, with the addition of the districts of Bloomingburg, Jefferson, and Paint, Miami Trace Local and the Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state, Miami Trace ranks as the second largest district in Ohio. At the present time, approximately 2815 students attend eight elementary schools, one junior high school, and one comprehensive high school.

The district operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the district's instructional and support facilities staffed by 111 non-certificated personnel and 200 certificated teaching and administrative personnel to provide services to students and other community members.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The district's significant account policies are described below.

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

Miami Trace Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The school district operates under a locally elected five-member board form of government and provides educational services as mandated by state and/or federal agencies. This board of education controls the school district's fourteen instructional/support facilities staffed by 111

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

noncertified and 200 certificated full-time teaching personnel who provide services to 2,815 students and other community members.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the school district. For Miami Trace, this includes general operations, food service, preschool and student related activities of the school district.

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

The school district is associated with two jointly governed organizations. These organizations are discussed in Note 14 to the general purpose financial statements. These organizations are:

MVECA  
Hopewell

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

General fund is the general operating fund of the district and is used to account for all financial resources except those required to be accounted for in another fund.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

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

**Proprietary funds** are used to account for the district's on going activities, which are similar to those most often found in the private sector. The following are the district's proprietary fund types:

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

Internal service funds are used to account for goods and services provided by one department to other departments of the district on a cost-reimbursement basis.

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

**Account groups** are used to make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature.

General fixed assets account group is established to account for all fixed assets of the district, other than those accounted for in proprietary funds and trust funds.

General long-term obligations account group is established to account for all long-term obligations of the district, except those accounted for in proprietary funds and trust funds.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

**Measurement Focus** - Governmental fund types are accounted for on a spending, or “current financial resources,” measurements focus. Governmental fund types operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary fund types and nonexpendable trust funds are accounted for on a cost of services “economic resources,” measurements focus. Proprietary fund type income statements represent increases and decreases in net total assets.

**Basis of Accounting** - The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the district is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to interest, tuition, and state and federal grants and property taxes available for advance at June 30. Delinquent property taxes whose availability is indeterminable and property taxes which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary and nonexpendable trust funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

**D. BUDGETARY DATA**

**Budgetary Basis of Accounting** - The district’s budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).
3. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

The district is required by state statute to adopt an annual appropriated budget for all governmental fund types. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the treasurer submits to the board of education proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Fayette County Budget Commission for tax rate determination.
3. Prior to April 1, the board of education accepts by formal resolution, the tax rates as determined by the Fayette County Budget Commission and receives the commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the district must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the district treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the district treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the board of education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the Fayette County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the board of education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the board of education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

**E. ENCUMBRANCES**

Encumbrance accounting is utilized by district funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**F. CASH AND INVESTMENTS**

Cash received by the district is deposited in various bank accounts with individual fund balance integrity maintained throughout. Monies for all funds were maintained in these accounts or were temporarily used to purchase short-term cash equivalent investments with the exception of a \$5,000 municipal bond purchased in 1986 that matures in 2011. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those funds individually authorized by board resolution.

Investments in nonparticipating investment contracts (repurchase agreements) are reported at cost. Investment contracts that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. Other investments are stated at fair value as determined by quoted market prices.

The district has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the state treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the board of education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$161,475.

For purposes of the Statement of Cash Flows the combined statement of cash flows, the proprietary fund types' and nonexpendable trust fund's portion of pooled cash and investments is considered a cash equivalent because the district is able to withdraw resources from these funds without prior notice or penalty.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**Restricted Assets**

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve. This reserve is required by state statute. A fund balance reserve has also been established.

**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 could differ from those estimates.

**Fund Balance Reserves**

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

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

**G. INVENTORY**

Inventories of the enterprise funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count.

**H. FIXED ASSETS AND DEPRECIATION**

1. **General Fixed Assets Account Group** - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the general fixed assets account group. The district does not possess any infrastructure.
2. **Proprietary Funds** - Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives: building improvements, 20-40 years and equipment, 3-5 years.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**I. INTERGOVERNMENTAL REVENUES**

In governmental funds, non-reimbursable grants are recorded as receivable and revenue when measurable and available. Reimbursement type grants are recorded as receivable and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

**J. COMPENSATED ABSENCES**

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The district's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators/Non-Bargaining Unit Employees</u>	<u>Non-Certificated</u>
How earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Eligible	40 days	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How earned	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)
Maximum days	214 days	Per Contract Days	210 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

For governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

respective governmental fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the general long-term obligations account group. Compensated absences of proprietary funds are recorded as an expense and liability of the respective proprietary funds.

**K. INTERFUND TRANSACTIONS**

During the course of normal operations the district has numerous transactions between funds. The most significant include:

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

**L. LONG-TERM OBLIGATIONS**

The district's only long-term obligations are related to accrued wages and benefits and compensated absences payable. That portion of these long-term obligations expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

The district pays retirement through deductions from foundation payments, and at June 30 the district owed an obligation equal to six months deductions to the school employees retirement system. An amount equal to two months obligation is presented as a fund liability with the remainder presented in the general long-term account group.

**M. FUND EQUITY**

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax advances, advances, and set-asides. The unreserved portions of fund equity reflected for the governmental funds are available for use within the special purpose of those funds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under state statute.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**N. MEMORANDUM ONLY - TOTAL COLUMNS**

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

**O. PROPRIETARY FUND ACCOUNTING**

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the district applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**NOTE 3 EQUITY IN POOLED CASH AND INVESTMENTS**

The district maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as equity in pooled cash and investments.

State statute requires the classification of monies held by the district into three categories:

**Active Monies** - Those monies that are required to be kept in a "cash" or "near cash" status for immediate use by the district. Such monies must by law be maintained either as cash in the district treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Inactive Monies** - Those monies not required for use within the current two-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as 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 Monies** - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of the 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 moneys deposited with the institution.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

State legislation permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal 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, 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 issuance's of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The state treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
 FAYETTE COUNTY, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

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

**Deposits**

At fiscal year end the carrying amount of the district's deposits was \$180,497. The bank balance of deposits was \$537,563 and of the bank balance \$113,565 was covered by federal depository insurance. The remaining bank balance was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

**Investments**

The district's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the district or its agent in the district's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's trust department or agent in the district's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the counterpart or by its department or agent, but not in the district's name.

Based on the above criteria, the district's investments at year-end are classified as follows:

<u>Investments</u>	<u>Risk Category</u>	<u>Carrying Value/ Fair Value</u>
Municipal Bonds	1	\$ 5,000
Repurchase Agreement	3	2,313,897
STAR Ohio	N/A	<u>751,631</u>
<b>Total</b>		<b><u>\$3,070,528</u></b>

The district's investment in STAR Ohio is not categorized by risk because it is not evidenced by securities that exist in physical or book-entry form.

**NOTE 4 RETAINED EARNINGS DEFICITS**

Retained earnings at year-end included the following deficits that include accrual entries:

Enterprise	(\$283,048)
Internal Service	(\$280,121)

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 INTERFUND TRANSACTIONS**

Interfund balances at year-end consisted of the following individual fund receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$7,128	\$ -0-	-0-	\$295,000
Special Revenue	-0-	7,128	-0-	-0-
Enterprise	<u>-0-</u>	<u>-0-</u>	<u>\$295,000</u>	<u>-0-</u>
Total	<u>\$7,128</u>	<u>\$ 7,128</u>	<u>\$295,000</u>	<u>\$295,000</u>

**NOTE 6 PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2001 were based are as follows:

Tangible Personal	\$ 68,728,989
Public utility and real estate	<u>228,810,600</u>
Total assessed property value	<u>\$297,539,589</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the school district. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien dates. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by state law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least 1/2 of amount billed) was due January 20 with remainder due on July 20.

The Fayette County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

Accrued property taxes receivable represent real property, personal property, and public utility taxes that became measurable as of the current year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**NOTE 7 FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End of Year</u>
Land	\$ 220,208	6,992	\$ -0-	\$ 227,200
Bldg & Bldg. Improvements	4,869,992	481,800	-0-	5,351,792
Equipment	<u>6,198,849</u>	<u>1,204,468</u>	<u>5,800</u>	<u>7,397,517</u>
Total	<u>\$11,289,049</u>	<u>\$1,693,260</u>	<u>\$ 5,800</u>	<u>\$12,976,509</u>

A summary of the proprietary fund fixed assets at year-end follows:

Equipment	\$400,565
Less Accumulated Depreciation	<u>(314,613)</u>
Net Fixed Assets	<u>\$ 85,952</u>

**NOTE 8 CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP**

During the fiscal year, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and accrued wages will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>Beginning of Year</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>End of Year</u>
Accrued Wages & Benefits	\$ 89,794	\$16,537	\$ -0-	\$ 106,331
Compensated Absences	694,773	68,692	-0-	763,465
Judgment Payable	<u>109,034</u>	<u>-0-</u>	<u>(54,517)</u>	<u>54,517</u>
Total	<u>\$ 893,601</u>	<u>\$85,229</u>	<u>(\$54,517)</u>	<u>\$ 924,313</u>

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**NOTE 9 SEGMENT INFORMATION**

**Enterprise Funds**

The district maintains three enterprise funds to account for the operations of food services, uniform school supply, and preschool and latchkey. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the district as of and for the current year-end.

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Preschool And Latchkey</u>	<u>Total</u>
Operating Revenues	\$655,175	\$54,283	\$100,138	\$ 809,596
Operating expenses before depreciation	922,661	63,203	109,491	1,095,355
Depreciation	22,903	-0-	-0-	22,903
Operating Income (Loss)	(295,449)	(8,920)	(9,353)	(313,722)
Operating Grants	208,981	-0-	-0-	208,981
Other non-operating Revenues (expenses)	25,184	-0-	-0-	25,184
Net Income (Loss)	(56,224)	(8,920)	(9,353)	(74,497)
Net Working Capital	(311,871)	7,650	5,148	(299,073)
Total Assets	163,422	7,681	11,198	182,301
Total Liabilities	389,341	31	6,050	395,422
Total Equity	(225,919)	7,650	5,148	(213,121)

Contributed capital was unchanged during the year.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**NOTE 10 DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The Miami Trace Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the Miami Trace Local School District is required to contribute 14%. The contribution rates are determined actuarially, but are established by SERS's retirement board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The district's contribution to SERS for the years ending June 30, 2001, 2000, and 1999 were \$349,941, \$306,186, and \$300,282 respectively, 46% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. One hundred eighty-seven thousand eight hundred twenty – four dollars (\$187,824) representing the unpaid contribution for fiscal year 2001, is recorded as a liability with the respective funds and the general long-term obligations account group.

**B. STATE TEACHERS RETIREMENT SYSTEM**

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

Plan members are required to contribute 9.3% of their annual covered salary and the Miami Trace Local School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The district's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$1,157,700, \$1,098,276, and \$1,083,648 respectively, 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. One hundred ninety-two thousand nine hundred ninety-two dollars (\$192,992) represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**NOTE 11 POSTEMPLOYMENT BENEFITS**

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

The State Teacher Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Retirement Board allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2001, will be 4.5% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$13.149 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45% of covered payroll, an increase from 6.30% for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**NOTE 12 BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenue and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
From GAAP Basis to Budgetary Basis

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	\$386,056	\$5,861	\$11,357
Net Adjustment for Revenue Accruals	(159,983)	(141,968)	(12,712)
Expenditure Accruals	119,968	(9,834)	(36,310)
Advances	(7,128)	7,128	-0-
Adjustment for Encumbrances	<u>(315,179)</u>	<u>(82,400)</u>	<u>(148,585)</u>
Budgetary Basis	<u>(\$23,734)</u>	<u>(\$221,213)</u>	<u>(\$186,250)</u>

**NOTE 13 CONTINGENT LIABILITIES**

**Grants**

The district receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the district.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

**NOTE 14 JOINTLY GOVERNED ORGANIZATIONS**

The district is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium a-site used by the district. MVECA is an association of 23 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The district paid MVECA \$21,894 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District Board of Education acts as fiscal agent. The district paid Hopewell \$95,569 for services provided during the year. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.

**NOTE 15 RISK MANAGEMENT**

The district is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The district addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance from private carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the general aggregate. Other liability insurance includes \$2,000,000 for fleet liability, and \$2,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$35,364,400.

The district pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Miami Trace Local School District, the district makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The district pays for a portion of the health and dental insurances. The district pays 100% of the term

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

life insurance. The district pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The district pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

**NOTE 16 STATE AND FEDERAL GRANTS**

The state and federal financial assistance grants are audited by the auditor of state as part of their regular audit. Instances of noncompliance with state and/or federal grant requirements, if any, would be disclosed in a separate part of this presentation.

**NOTE 17 SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 10, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
 FAYETTE COUNTY, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

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

**NOTE 18 SUBSEQUENT EVENTS**

On March 26, 1997, the Ohio Supreme Court rendered a decision involving the Texas Eastern Transmission Corporation, a natural gas pipeline transmission company that will have an impact on the Miami Trace Local School District. The decision stated that Texas Eastern overpaid personal tangible tax and is entitled to a refund of the overpayment. Miami Trace's share of this overpayment is \$388,864. Miami Trace paid \$170,796, \$27,258, \$81,776, and \$54,517 in fiscal years 1998, 1999, 2000, and 2001, respectively. The last payment of \$54,517 is scheduled for fiscal year 2002 to refund the remaining overpaid taxes.

**NOTE 19 STATUTORY RESERVES**

The district is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance, June 30, 1999	\$-0-	\$-0-	\$206,694
Amount From Prior Years Which Exceeded Required Set-Aside	(\$596,643)	N/A	N/A
Required Set-Aside	\$359,056	\$359,056	N/A
Offset Credits	(\$505,422)	(\$572,244)	N/A
Qualifying Expenditures	(\$321,441)	(\$363,621)	N/A
Reduction in Accordance With Senate Bill 345	N/A	N/A	(\$146,865)
Balance, June 30, 2001	(\$1,064,450)	(\$576,809)	\$59,829
Balance Carried Forward to FY2002 Reserved June 30, 2001	(\$1,064,450)	\$-0-	\$59,829 \$59,829

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2001 ( Continued)**

Expenditures for textbook and instructional material activities during the year totaled \$321,441, and offset credits for textbook and instructional material activities totaled \$505,422, which exceeded the amount required for the set-aside by \$467,807. This amount, along with the excess amount of \$596,643 from fiscal year 2000, may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.

Senate Bill 345 eliminated the Budget Stabilization Reserve. Senate Bill 345 also restricted what the district may use of Bureau of Workers' Compensation refunds for which the district was previously required to deposit into the Budget Stabilization Reserve. The Board of Education elected to maintain the entire balance of this reserve in a reserve established in accordance with ORC 5705.13(A). The balance in the Budget Stabilization Reserve reflects Bureau of Workers' Compensation refunds previously received in the Budget Stabilization Reserve.

Expenditures for capital activity during the year totaled \$363,621, and offsets totaled \$572,244, which exceeded the amount required for the set-aside. Although the school district may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$25,834	\$0	\$21,743
National School Breakfast Program	05-PU-01	10.553	38,224	0	38,224	0
National School Lunch Program	05-PU-00	10.555	159,030	0	159,030	0
	LL-P1-01					
	LL-P4-01					
	LL-P1-00					
LL-P4-00						
Total Nutrition Cluster			<u>197,254</u>	<u>25,834</u>	<u>197,254</u>	<u>21,743</u>
<b>Total U.S. Department of Agriculture</b>			<b>197,254</b>	<b>25,834</b>	<b>197,254</b>	<b>21,743</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI B)	6B-SF-00 6B-SF-99	84.027	175,950	0	182,628	0
<b>Total Special Education Cluster</b>			<b>175,950</b>	<b>0</b>	<b>182,628</b>	<b>0</b>
Family Support Act - JOBS	JB-S1-95 JB-S1-94	93.021	0	0	5,806	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01 C1-S1-00	84.010	410,689	0	463,296	0
Innovative Educational Program Strategies	C2-S1-01 C2-S1-00	84.298	9,131	0	15,690	0
Eisenhower Prof Development State Grant	MS-S1-01 MS-S1-00 MS-S1-99	84.281	12,038	0	17,786	0
Education Systemic Improvement Grants	G2-S2-99	84.276	0	0	10,259	0
Class Size Reduction	CR-S1-01 CR-S1-00	84.340	71,280	0	68,794	0
Drug-Free Schools Grant	DR-S1-01 DR-S1-00	84.186	8,388	0	10,243	0
<b>Total Department of Education</b>			<b>511,526</b>	<b>0</b>	<b>591,874</b>	<b>0</b>
<b>U.S. DEPARTMENT OF MENTAL RETARDATION and DEVELOPMENTAL DISABILITIES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fund System (CAFS)	N/A	93.778	29,336	0	29,336	0
<b>Total Department of Health</b>			<b>29,336</b>	<b>0</b>	<b>29,336</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HEALTH</b>						
<i>Passed through Ohio Department of Education:</i>						
Individuals with Disabilities Education Act Early Intervention/Nutrition	N/A	84.181	69,936	0	81,703	0
<b>Total Department of Health</b>			<b>69,936</b>	<b>0</b>	<b>81,703</b>	<b>0</b>
<b>Totals</b>			<b><u>\$984,002</u></b>	<b><u>\$25,834</u></b>	<b><u>\$1,082,795</u></b>	<b><u>\$21,743</u></b>

The accompanying notes to this schedule are an integral part of this schedule.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B--NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C--COMMUNITY ALTERNATIVE FUNDING SYSTEM**

Receipts for this grant are posted to general fund. It is assumed federal monies are expended first.



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JIM PETRO, AUDITOR OF STATE

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

Miami Trace Local School District  
Fayette County  
1400 U.S. Route 22 NW  
Washington Court House, Ohio 43160

To the Board of Education:

We have audited the financial statements of Miami Trace Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 10, 2001. 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.

### Compliance

As part of obtaining reasonable assurance about whether Miami Trace Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Miami Trace Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 2001.

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

This report is intended for the information and use of the audit committee, management, 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.

**Jim Petro**  
Auditor of State

December 10, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Miami Trace Local School District  
Fayette County  
1400 U.S. Route 22 NW  
Washington Court House, Ohio 43160

To the Board of Education:

**Compliance**

We have audited the compliance of Miami Trace Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Miami Trace Local School 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 Miami Trace Local School District's management. Our responsibility is to express an opinion on Miami Trace Local School District's compliance based on our audit.

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

In our opinion, Miami Trace Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of Miami Trace Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Miami Trace Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 10, 2001.

This report is intended for the information and use of the audit committee, management, 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.

**Jim Petro**  
Auditor of State

December 10, 2001

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title 1, CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**MIAMI TRACE LOCAL SCHOOL DISTRICT**

**FAYETTE 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 3, 2002**