



Mary Taylor, CPA  
Auditor of State



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY  
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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Miami Trace Local School District, Fayette County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison for the general fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 17, 2007

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)**

The discussion and analysis of Miami Trace Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$3,123,680 which represents a 27% increase from 2005.
- General revenues accounted for \$22,136,493 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,597,364 or 20% of total revenues of \$27,733,857.
- The District had \$24,610,177 in expenses related to governmental activities; \$5,597,364 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22,136,493 were adequate to provide for these programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consist of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. 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 a more detailed look at financial activities.

The *Statement of Net Assets* and *Statements 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. The General, Debt Service, Building and Classroom Facilities Funds are the major funds of the District.

**Government-wide Financial Statements**

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 2006?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current 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 has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, the District consists of one activity:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

### **Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). 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.

***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* that can readily be converted to cash. The governmental fund 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 financial statements.

***Fiduciary Funds*** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.



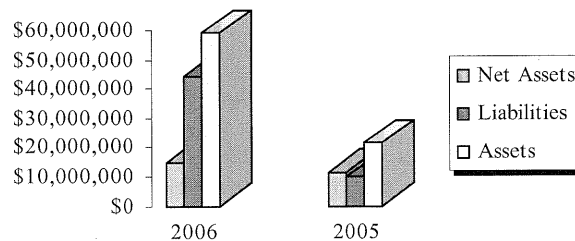
## The District as a Whole

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

Table 1 provides a summary of the District’s net assets for 2006 compared to 2005:

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current Assets	\$54,479,146	\$17,379,087
Capital Assets	4,552,485	4,155,267
<b>Total Assets</b>	<b>59,031,631</b>	<b>21,534,354</b>
<b>Liabilities</b>		
Long-Term Liabilities	17,994,948	843,427
Other Liabilities	26,267,093	9,045,017
<b>Total Liabilities</b>	<b>44,262,041</b>	<b>9,888,444</b>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	4,110,626	4,155,267
Restricted	4,449,851	960,843
Unrestricted	6,209,113	6,529,800
<b>Total Net Assets</b>	<b>\$14,769,590</b>	<b>\$11,645,910</b>



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2006, the District’s net assets exceeded liabilities by \$14,769,590.

At year-end, capital assets represented 8% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$4,110,626. 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.

Current Assets increased mainly due to the issuance of \$17,057,481 in short-term Bond Anticipation Notes (due on July 18, 2006) and \$17,057,481 in General Obligation Bonds for School Improvements. Long-Term Liabilities increased primarily due to the issuance of the \$17,057,481 in General Obligation Bonds, while Other Liabilities increased due to the issuance of \$17,057,481 in Bond Anticipation Notes. The increase in restricted net assets is due to additional funds restricted in debt service and capital projects for the new school construction.

Table 2 shows the change in net assets for fiscal year 2006 compared to 2005.

Table 2  
Changes in Net Assets

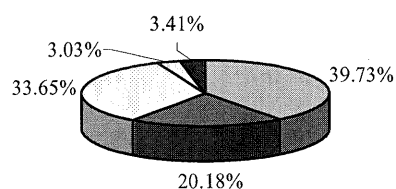
	Governmental Activities	
	2006	2005
Revenues		
Program Revenues:		
Charges for Services	\$1,961,497	\$1,867,869
Operating Grants	2,059,424	2,017,874
Capital Grants	1,576,443	66,485
General Revenue:		
Property Taxes	9,332,833	8,098,696
Grants and Entitlements	11,016,954	10,918,707
Other	1,786,706	1,041,402
Total Revenues	<u>27,733,857</u>	<u>24,011,033</u>
Program Expenses:		
Instruction	13,522,140	11,474,698
Support Services:		
Pupil and Instructional Staff	2,820,819	2,943,909
General and School Administrative, Fiscal and Business	2,330,819	3,484,857
Operations and Maintenance	1,993,395	2,009,831
Pupil Transportation	1,837,179	1,705,060
Central	169,180	132,733
Operation of Non-Instructional Services	1,288,278	1,274,193
Extracurricular Activities	579,309	595,432
Interest and Fiscal Charges	69,058	0
Total Expenses	<u>24,610,177</u>	<u>23,620,713</u>
Change in Net Assets	3,123,680	390,320
Beginning Net Assets	<u>11,645,910</u>	<u>11,255,590</u>
Ending Net Assets	<u>\$14,769,590</u>	<u>\$11,645,910</u>

The District revenues are mainly from two sources. Property taxes levied for general and capital project purposes, and grants and entitlements comprised 73% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34% of revenue for governmental activities for the District in fiscal year 2006.

Revenue Sources	2006	Percent of Total
General Grants	\$11,016,954	39.73%
Program Revenues	5,597,364	20.18%
General Tax Revenues	9,332,833	33.65%
Investment Earnings	839,823	3.03%
Other Revenues	946,883	3.41%
	<u>\$27,733,857</u>	<u>100.00%</u>



Instruction comprises 55% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other program expenses including interest expense were 8%.

Capital grants increased mainly due to the District receiving \$1,554,679 from the Ohio School Facilities Commission for school improvements. Property taxes increased primarily due to an increase in amounts available for advance, when compared to the prior year. Other revenue increased due to a \$717,421 increase in investment earnings due to the District holding a larger balance of investments and bank balance for the current year as compared to the prior year. Instruction expenses increased over the prior year due to increase in personal costs and general inflationary factors. General and School Administrative, Fiscal and Business expenses decreased primarily due to the accrual of accrued wages and benefits decreasing from the prior year.

## Governmental Activities

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$13,522,140	\$11,474,698	(\$10,657,810)	(\$9,781,384)
Support Services:				
Pupil and Instructional Staff	2,820,819	2,943,909	(2,119,740)	(2,365,159)
General and School Administrative,				
Fiscal and Business	2,330,819	3,484,857	(1,946,184)	(3,238,298)
Operations and Maintenance	1,993,395	2,009,831	(1,886,359)	(2,008,392)
Pupil Transportation	1,837,179	1,705,060	(1,801,772)	(1,658,872)
Central	169,180	132,733	(134,502)	(95,873)
Operation of Non-Instructional Services	1,288,278	1,274,193	(191,305)	(235,305)
Extracurricular Activities	579,309	595,432	(206,083)	(285,202)
Interest and Fiscal Charges	69,058	0	(69,058)	0
Total Expenses	<u>\$24,610,177</u>	<u>\$23,620,713</u>	<u>(\$19,012,813)</u>	<u>(\$19,668,485)</u>

## The District's Funds

The District has four major governmental funds: the General Fund, Debt Service Fund, Building Fund, and Classroom Facilities Fund. Assets of the general fund comprised \$15,614,856 (29%), the debt service fund comprised \$18,300,261 (34%), the building fund comprised \$3,254,726 (6%) and the classroom facilities fund comprised \$15,635,894 (29%) of the total \$54,479,146 governmental fund assets.

**General Fund:** Fund balance at June 30, 2006 was \$6,812,824, an increase in fund balance of \$403,540 from 2005, including \$3,240,688 of unreserved balance. The primary reason for the increase in fund balance were increases in taxes revenue due to an increase in the amount available for advance and investment earnings (as explained earlier).

**Debt Service Fund:** Fund balance at June 30, 2006 was \$18,113,631 including \$17,769,421 of unreserved balance. The debt service fund balance was primarily due to the issuance of \$17,057,481 in General Obligation Bonds and taxes revenue received (levy approved) for the school improvements.

**Building Fund:** Fund balance at June 30, 2006 was \$237,665 including \$137,956 of unreserved balance. The building fund balance was mainly due to the investment earnings and a transfer in of \$256,652 from the general fund exceeding capital outlay for the current year.

**Classroom Facilities Fund:** Fund balance at June 30, 2006 was \$1,481,208 including \$438,205 of unreserved balance. The Classroom Facilities fund balance was mainly due to the intergovernmental revenue received from the Ohio State Facilities Commission for school improvements.

## 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 2006, the District amended its general fund budget when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$22,012,589, compared to original budget estimates of \$21,644,258. Of the \$368,331 difference, most was due to conservative estimates for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$783,263 above the final budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

At fiscal year end, the District had \$4,552,485 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

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

	Governmental Activities	
	2006	2005
Land	\$211,261	\$211,261
Construction in Progress	441,859	0
Land Improvements	191,209	229,979
Buildings and Improvements	1,728,670	1,859,172
Equipment	1,979,486	1,854,855
Total Net Capital Assets	<u>\$4,552,485</u>	<u>\$4,155,267</u>

The increase in capital assets from the prior year is due to the beginning of construction for new facilities within the District and the current fiscal year additions exceeding depreciation expense.

See note 6 to the basic financial statements for further details on the District's capital assets.

## **Debt**

At June 30, 2006, the District had \$17,057,481 in bonds payable, \$107,481 due within one year. The District had no outstanding debt at June 30, 2005. Table 5 summarizes bonds outstanding at year end.

Table 5  
Outstanding Debt, at Year End

	<u>Governmental Activities</u>
	<u>2006</u>
General Obligation Bonds:	
2006 Bond Issue	<u>17,057,481</u>
Total Bonds	<u>\$17,057,481</u>

See note 8 in the notes to the basic financial statements for further details on the District's outstanding debt.

## **For the Future**

The Ohio Supreme Court found the State of Ohio in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997 the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001 the Ohio legislature crafted a school-funding program to address the Court's concerns. In 2003 the funding program was modified as a result of Amended Substitute House Bill 95.

In May of 2002 the District's voters approved a five-year \$2,755,000 emergency operating levy that along with the state-funding program in place at the time, would have kept the district financially stable through fiscal year 2007. District operations are funded nearly equal from the state funding system and local tax dollars. However, due to the changes from HB95, the District's five-year forecast only projects a positive balance through fiscal year 2006. State funding changes can have a material impact on the District's financial stability.

A major financial challenge of the District is the facilities. With the exception of the central office and preschool complex, the age of the buildings are a problem. The high school was built in 1962 and the remaining junior high and 7 elementary buildings are over 75 years old. The funds required to maintain the buildings continues to impact the District's finances. New buildings are a future goal of the District.

The uncertainty of the methods of state funding, available local tax resources, and the District's facility challenges require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

## **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 Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 1400 US 22 NW, Washington C. H., Ohio 43160 or e-mail at [miami\\_tres@mveca.org](mailto:miami_tres@mveca.org).

Miami Trace Local School District  
Statement of Net Assets  
June 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$44,235,811
Receivables:	
Taxes	9,740,426
Accounts	75,293
Intergovernmental	417,378
Inventory	10,238
Nondepreciable Capital Assets	653,120
Depreciable Capital Assets, Net	<u>3,899,365</u>
Total Assets	<u>59,031,631</u>
Liabilities:	
Accounts Payable	145,562
Accrued Wages and Benefits	2,586,190
Accrued Interest Payable	69,058
Contracts Payable	114,266
Unearned Revenue	5,938,976
Claims Payable	355,560
Bond Anticipation Notes Payable	17,057,481
Long-Term Liabilities:	
Due Within One Year	378,700
Due In More Than One Year	<u>17,616,248</u>
Total Liabilities	<u>44,262,041</u>
Net Assets:	
Invested in Capital Assets	4,110,626
Restricted for:	
Special Revenue	539,880
Debt Service	1,456,574
Capital Projects	2,453,397
Unrestricted	<u>6,209,113</u>
Total Net Assets	<u><u>\$14,769,590</u></u>

See accompanying notes to the Basic Financial Statements.



Miami Trace Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$10,297,568	\$763,727	\$275,412	\$861,147	(\$8,397,282)
Special	1,737,737	26,301	515,085	153,189	(1,043,162)
Vocational	585,514	0	0	78,780	(506,734)
Other	901,321	0	190,689	0	(710,632)
<b>Support Services:</b>					
Pupil	1,286,350	62,115	94,760	98,772	(1,030,703)
Instructional Staff	1,534,469	4,079	384,178	57,175	(1,089,037)
General Administration	15,490	0	0	0	(15,490)
School Administration	1,728,190	5,933	189,823	181,380	(1,351,054)
Fiscal	479,525	0	0	5,768	(473,757)
Business	107,614	0	0	1,731	(105,883)
Operations and Maintenance	1,993,395	1,700	1,911	103,425	(1,886,359)
Pupil Transportation	1,837,179	0	331	35,076	(1,801,772)
Central	169,180	0	34,678	0	(134,502)
Operation of Non-Instructional Services	1,288,278	724,416	372,557	0	(191,305)
Extracurricular Activities	579,309	373,226	0	0	(206,083)
Interest and Fiscal Charges	69,058	0	0	0	(69,058)
<b>Total Governmental Activities</b>	<b>24,610,177</b>	<b>1,961,497</b>	<b>2,059,424</b>	<b>1,576,443</b>	<b>(19,012,813)</b>

<b>General Revenues:</b>	
Property Taxes Levied for:	
General Purposes	8,667,803
Special Revenue Purposes	130,319
Debt Service Purposes	534,711
Grants and Entitlements not Restricted to Specific Programs	11,016,954
Payment in Lieu of Taxes	405,658
Unrestricted Contributions	8,857
Investment Earnings	839,823
Other Revenues	532,368
<b>Total General Revenues</b>	<b>22,136,493</b>
Change in Net Assets	3,123,680
Net Assets Beginning of Year	11,645,910
Net Assets End of Year	\$14,769,590

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Investments	\$6,317,749	\$17,769,421	\$3,254,726	\$15,635,894	\$1,258,021	\$44,235,811
<b>Receivables:</b>						
Taxes	9,130,877	530,840	0	0	78,709	9,740,426
Accounts	73,148	0	0	0	2,145	75,293
Intergovernmental	93,082	0	0	0	324,296	417,378
Inventory	0	0	0	0	10,238	10,238
<b>Total Assets</b>	<b>15,614,856</b>	<b>18,300,261</b>	<b>3,254,726</b>	<b>15,635,894</b>	<b>1,673,409</b>	<b>54,479,146</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts Payable	57,851	0	0	0	87,711	145,562
Accrued Wages and Benefits	2,345,351	0	0	0	240,839	2,586,190
Compensated Absences	27,903	0	0	0	0	27,903
Contracts Payable	0	0	17,061	97,205	0	114,266
Deferred Revenue	6,015,367	186,630	0	0	222,226	6,424,223
Claims Payable	355,560	0	0	0	0	355,560
Bond Anticipation Notes Payable	0	0	3,000,000	14,057,481	0	17,057,481
<b>Total Liabilities</b>	<b>8,802,032</b>	<b>186,630</b>	<b>3,017,061</b>	<b>14,154,686</b>	<b>550,776</b>	<b>26,711,185</b>
<b>Fund Balances:</b>						
Reserved for Encumbrances	456,626	0	99,709	1,043,003	97,406	1,696,744
Reserved for Inventory	0	0	0	0	10,238	10,238
Reserved for Property Tax Advances	3,115,510	344,210	0	0	51,035	3,510,755
<b>Unreserved, Undesignated, Reported in:</b>						
General Fund	3,240,688	0	0	0	0	3,240,688
Special Revenue Funds	0	0	0	0	286,002	286,002
Debt Service Funds	0	17,769,421	0	0	0	17,769,421
Capital Projects Funds	0	0	137,956	438,205	677,952	1,254,113
<b>Total Fund Balances</b>	<b>6,812,824</b>	<b>18,113,631</b>	<b>237,665</b>	<b>1,481,208</b>	<b>1,122,633</b>	<b>27,767,961</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$15,614,856</b>	<b>\$18,300,261</b>	<b>\$3,254,726</b>	<b>\$15,635,894</b>	<b>\$1,673,409</b>	<b>\$54,479,146</b>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2006

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Total Governmental Fund Balance		\$27,767,961
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,552,485
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	290,695	
Intergovernmental	<u>194,552</u>	
		485,247
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(69,058)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(909,564)</u>	
		(909,564)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(17,057,481)</u>
Net Assets of Governmental Activities		<u>\$14,769,590</u>

See accompanying notes the the Basic Financial Statements.

Miami Trace Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$8,995,033	\$851,298	\$0	\$0	\$126,230	\$9,972,561
Revenue in lieu of taxes	399,348	0	0	0	0	399,348
Tuition and Fees	749,483	0	0	0	0	749,483
Investment Earnings	305,084	155,769	47,851	302,030	29,088	839,822
Intergovernmental	11,276,676	44,069	0	1,554,679	1,758,530	14,633,954
Extracurricular Activities	24,363	0	0	0	409,537	433,900
Charges for Services	0	0	0	0	724,291	724,291
Other Revenues	433,972	6,310	0	0	81,003	521,285
<b>Total Revenues</b>	<b>22,183,959</b>	<b>1,057,446</b>	<b>47,851</b>	<b>1,856,709</b>	<b>3,128,679</b>	<b>28,274,644</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	9,611,355	0	0	0	514,955	10,126,310
Special	1,278,635	0	0	0	433,248	1,711,883
Vocational	568,415	0	0	0	0	568,415
Other	856,292	0	0	0	45,029	901,321
<b>Support Services:</b>						
Pupil	1,142,177	0	0	0	179,832	1,322,009
Instructional Staff	1,092,266	0	0	0	406,741	1,499,007
General Administration	15,490	0	0	0	0	15,490
School Administration	1,559,771	0	0	0	131,790	1,691,561
Fiscal	470,804	1,296	0	0	1,862	473,962
Business	105,929	0	0	0	0	105,929
Operations and Maintenance	1,880,209	0	0	0	36,146	1,916,355
Pupil Transportation	1,710,899	0	0	0	419,600	2,130,499
Central	124,711	0	0	0	44,469	169,180
Operation of Non-Instructional Services	14,481	0	0	0	1,257,093	1,271,574
Extracurricular Activities	297,238	0	0	0	241,658	538,896
Capital Outlay	10,212	0	66,878	375,501	0	452,591
<b>Total Expenditures</b>	<b>20,738,884</b>	<b>1,296</b>	<b>66,878</b>	<b>375,501</b>	<b>3,712,423</b>	<b>24,894,982</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,445,075</b>	<b>1,056,150</b>	<b>(19,027)</b>	<b>1,481,208</b>	<b>(583,744)</b>	<b>3,379,662</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Capital Assets	50,857	0	0	0	0	50,857
Proceeds of Long-Term Capital-Related Debt	0	17,057,481	0	0	0	17,057,481
Transfers In	0	0	256,692	0	835,700	1,092,392
Transfers (Out)	(1,092,392)	0	0	0	0	(1,092,392)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,041,535)</b>	<b>17,057,481</b>	<b>256,692</b>	<b>0</b>	<b>835,700</b>	<b>17,108,338</b>
<b>Net Change in Fund Balance</b>	<b>403,540</b>	<b>18,113,631</b>	<b>237,665</b>	<b>1,481,208</b>	<b>251,956</b>	<b>20,488,000</b>
<b>Fund Balance Beginning of Year</b>	<b>6,409,284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>870,677</b>	<b>7,279,961</b>
<b>Fund Balance End of Year</b>	<b>\$6,812,824</b>	<b>\$18,113,631</b>	<b>\$237,665</b>	<b>\$1,481,208</b>	<b>\$1,122,633</b>	<b>\$27,767,961</b>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2006

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Net Change in Fund Balance - Total Governmental Funds \$20,488,000

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

Governmental funds report capital asset additions 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 of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	1,013,816	
Depreciation Expense	<u>(593,816)</u>	420,000

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss.

(22,782)

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

Delinquent Property Taxes	(639,729)	
Intergovernmental	<u>70,867</u>	(568,862)

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due.

(69,058)

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

Compensated Absences	<u>(66,137)</u>	(66,137)
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Proceeds from debt issues are an other financing source in the funds,  
 but a debt issue increases long-term liabilities in the statement  
 of net assets.

(17,057,481)

Change in Net Assets of Governmental Activities \$3,123,680

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$457,242	\$99,245
Total Assets	<u>457,242</u>	<u>\$99,245</u>
Liabilities:		
Accounts Payable	0	2,569
Other Liabilities	0	96,676
Total Liabilities	<u>0</u>	<u>\$99,245</u>
Net Assets:		
Held in Trust	<u>457,242</u>	
Total Net Assets	<u>\$457,242</u>	

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2006

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	Private Purpose Trust
Additions:	
Donations	\$60,336
Investment Earnings	15,920
Total Additions	<u>76,256</u>
Deductions:	
Regular	<u>40,008</u>
Total Deductions	<u>40,008</u>
Change in Net Assets	36,248
Net Assets Beginning of Year	<u>420,994</u>
Net Assets End of Year	<u><u>\$457,242</u></u>

See accompanying notes to the Basic Financial Statements.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2006**

**1. DESCRIPTION OF THE DISTRICT**

July 1, 1955 was a historical date in Fayette County. The Miami Trace School District (the "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 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. The school district's geographical size ranks among the top five in Ohio. At the present time, approximately 2,776 students attend seven 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 132 non-certificated personnel and 222 certificated teaching and administrative personnel to provide services to students and other community members.

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with three jointly governed organizations. These organizations are discussed in the notes to the basic financial statements. These organizations are:

MVECA  
Hopewell  
South Central Ohio Insurance Consortium



## **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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The government-wide 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. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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.

#### **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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

## **FUND ACCOUNTING**

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

### **Governmental Funds**

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

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Building Fund - The building fund is used to account for all transactions related to all special bond funds in the District. Proceeds from the sale of bonds, except premium and accrued interest, are paid into this fund.

Classroom Facilities Fund – This fund accounts for the financial transactions related to the construction of classroom facilities.

### **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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a private purpose trust fund which accounts for scholarship programs for students. The District also has a student activity agency fund, which accounts for assets and liabilities generated by student managed activities. The student activities consist of a student body, student president, student treasurer and a faculty advisor.

## **BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the actual 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. 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 sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange 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 year end: property taxes available for advance, grants and interest.

### Deferred Revenue

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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also 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.

#### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

#### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities 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 the governmental funds.

### **EQUITY IN POOLED CASH INVESTMENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments. 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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 share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2006 amounted to \$305,084 for the General Fund, \$155,769 for the Debt Service Fund, \$47,851 for the Building Fund, \$302,030 for the Classroom Facilities Fund, and \$29,088 for Other Governmental Funds.

## INVENTORY

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

## CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). 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. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Equipment	3-15 years

## COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</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 Accumulation	214 days	Per Contract Days	214 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

## **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.

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

## **INTERFUND ACTIVITY**

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.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

As a general rule the effect of interfund (internal) activities has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

## **FUND EQUITY**

Reserved fund balances indicate a 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, inventory, and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **ESTIMATES**

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

### **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 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.

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 designated depositories, or as 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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.



## Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$24,342,228 of the District's bank balance of \$25,542,228 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Money Market Funds	\$498,034	0.00
STAR Ohio	<u>18,913,197</u>	0.00
Total Fair Value	<u>\$19,411,231</u>	
Portfolio Weighted Average Maturity		0.00

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standards & Poor's. The District's investments in Money Market Funds were rated AAA by Standard and Poor's and Fitch ratings and Aaa by Moody's Investors Service. Repurchase agreements which are unrated, shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested more than 97% of the District's investments in STAROhio.

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 investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

**4. PROPERTY TAXES**

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The 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. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available 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. The amount available as an advance at June 30, 2006, was \$3,115,510 for the General Fund, \$344,210 for the Debt Service Fund and \$51,035 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$253,910,610
Public Utility Personal	28,847,880
Tangible Personal Property	<u>40,115,435</u>
Total	<u>\$322,873,925</u>

## 5. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts (rent and student fees), and intergovernmental grants. 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.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$211,261	\$0	\$0	\$211,261
Construction in Progress	0	441,859	0	441,859
<i>Capital Assets, being depreciated:</i>				
Land Improvements	778,103	0	0	778,103
Buildings and Improvements	6,131,066	38,088	0	6,169,154
Equipment	5,200,581	533,869	50,626	5,683,824
Totals at Historical Cost	<u>12,321,011</u>	<u>1,013,816</u>	<u>50,626</u>	<u>13,284,201</u>
Less Accumulated Depreciation:				
Land Improvements	548,124	38,770	0	586,894
Buildings and Improvements	4,271,894	168,590	0	4,440,484
Equipment	3,345,726	386,456	27,844	3,704,338
Total Accumulated Depreciation	<u>8,165,744</u>	<u>593,816</u>	<u>27,844</u>	<u>8,731,716</u>
Governmental Activities Capital Assets, Net	<u>\$4,155,267</u>	<u>\$420,000</u>	<u>\$22,782</u>	<u>\$4,552,485</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$113,604
Special		22,071
Vocational		9,698
Support Services:		
Pupil		18,998
Instructional Staff		44,174
School Administration		29,007
Fiscal		2,025
Business		188
Operations and Maintenance		104,774
Pupil Transportation		190,842
Operation of Non-Instructional Services		18,022
Extracurricular Activities		40,413
Total Depreciation Expense		<u>\$593,816</u>

## 7. NOTES PAYABLE

Activity related to the District's bond anticipation notes payable is presented below:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance July 1	Additions	Deductions	Balance June 30
Bond Anticipation	4.00%	12/21/2005	7/18/2006	\$0	\$9,995,000	\$0	\$9,995,000
Bond Anticipation	4.00%	1/17/2006	7/18/2006	0	7,062,481	0	7,062,481
				<u>\$0</u>	<u>\$17,057,481</u>	<u>\$0</u>	<u>\$17,057,481</u>

The note is shown as a liability on the fund financial statements in the fund which received the proceeds. The proceeds were used for capital improvements.

## 8. LONG-TERM LIABILITIES

	Maturity Dates	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2033	\$0	\$17,057,481	\$0	\$17,057,481	\$107,481
Total Long Term Debt		0	17,057,481	0	17,057,481	107,481
Compensated Absences		843,427	380,873	286,833	937,467	271,219
Total Governmental Activities						
Long Term Liabilities		<u>\$843,427</u>	<u>\$17,438,354</u>	<u>\$286,833</u>	<u>\$17,994,948</u>	<u>\$378,700</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Bonds issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program and paying the cost of constructing school facility improvements that are not included in the costs covered by the State of Ohio Classroom Facilities Assistance Program.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2007	\$107,481	\$828,699	\$936,180
2008	220,000	757,538	977,538
2009	215,000	748,738	963,738
2010	215,000	739,815	954,815
2011	265,000	730,893	995,893
2012-2016	1,790,000	3,435,301	5,225,301
2017-2021	2,805,000	2,915,270	5,720,270
2022-2026	3,585,000	2,245,682	5,830,682
2027-2031	4,565,000	1,376,312	5,941,312
2032-2034	3,290,000	303,188	3,593,188
Total	<u>\$17,057,481</u>	<u>\$14,081,436</u>	<u>\$31,138,917</u>

## 9. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57% of annual covered salary was the portion being used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$410,316, \$402,420, and \$419,808, respectively; 33% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

## STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,384,368, \$1,319,496, and \$1,298,364, respectively; 83% has been contributed for fiscal year 2006 and 100% for fiscal year 2005 and 2004.

## 10. POST EMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$102,734 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. For the District, this amount equaled \$103,552 for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006 (the latest information available), the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

## **11. 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 funds.

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 as of June 30, 2006.

## **12. 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 \$93,672 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 South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Liberty-Union Thurston Local School District, 621 Washington Street, Baltimore, Ohio 43105.

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 districts 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. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.



### 13. 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 as a member of a school district risk-sharing pool (SORSA).

General liability insurance is maintained in the amount of \$6,000,000 for each occurrence and \$8,000,000 in the general aggregate. Other liability insurance includes \$6,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$46,292,529.

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 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.

On January 1, 1998, the District established an internal service fund to provide group health and prescription drug benefits to employees and their eligible dependents through the South Central Ohio Insurance Consortium (SCOIC), a formalized risk management program. SCOIC is a subsidiary of OME-RESA Health Benefits Program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience. The monies paid into the Employees Benefits Self Insurance Fund (internal service fund) are available to pay claims. A third party administrator, North American Health Plan/Meritain Health, which monitors all claims payments, administers the plan. An excess coverage insurance policy premium covers individual claims in excess of \$200,000. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$355,560 reported in the general fund at June 30, 2006 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2005	\$279,598	\$2,427,125	(\$2,484,185)	\$222,538
2006	222,538	2,702,183	(2,569,161)	355,560

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

#### 14. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in net assets at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Title I	\$1,837
Title V	1,590
Special Enterprises	16,913

#### 15. FUND BALANCE RESERVES FOR SET-ASIDES

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, 2006, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>
Balance, June 30, 2005	\$0	\$0
Amount From Prior Years Which Exceeded Required Set-Aside	(2,554,131)	N/A
Required Set-aside	424,008	424,008
Offset Credits	0	0
Qualifying Expenditures	<u>(835,405)</u>	<u>(1,139,882)</u>
Balance, June 30, 2006	(2,965,528)	(715,874)
Balance Carried Forward to FY 2007	<u>(\$2,965,528)</u>	<u>\$0</u>

Expenditures for textbook and instructional material activities during the year totaled \$835,405, which exceeded the amount required for the set-aside by \$411,397. This amount, along with the excess amount of \$2,554,131 from fiscal year 2005, 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 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 spend the Bureau of Workers' Compensation refunds on textbooks and instructional materials, including science equipment or laboratories, and maintain the remaining balance of this reserve in a reserve established in accordance with ORC 5705.13(A).

Expenditures for capital activity during the year totaled \$1,139,882, which exceeded the amount required for set-aside. Although the 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.

## 16. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following transfers in and transfers out:

	Transfers In	Transfers Out
General Fund	\$0	\$1,092,392
Building Fund	256,692	0
Other Governmental Funds	835,700	0
	<u>\$1,092,392</u>	<u>\$1,092,392</u>

Interfund transfers are used to 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 unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

## 17. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Miami Trace Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,769,981	\$8,977,691	\$8,928,736	(\$48,955)
Revenue in lieu of taxes	392,248	399,348	399,348	0
Tuition and Fees	729,840	788,371	743,052	(45,319)
Investment Earnings	302,019	277,011	307,486	30,475
Intergovernmental	11,000,113	11,098,314	11,199,238	100,924
Extracurricular Activities	23,930	27,170	24,363	(2,807)
Other Revenues	426,127	444,684	433,841	(10,843)
<b>Total Revenues</b>	<b>21,644,258</b>	<b>22,012,589</b>	<b>22,036,064</b>	<b>23,475</b>
Expenditures:				
Current:				
Instruction:				
Regular	8,952,296	9,071,383	8,813,831	257,552
Special	1,281,117	1,422,405	1,261,302	161,103
Vocational	582,327	585,147	573,320	11,827
Other	863,049	658,553	849,700	(191,147)
Support Services:				
Pupil	1,156,230	1,096,353	1,138,347	(41,994)
Instructional Staff	1,283,201	1,283,713	1,263,354	20,359
General Administration	15,972	23,322	15,725	7,597
School Administration	2,131,318	2,190,042	2,098,353	91,689
Fiscal	582,878	596,813	573,863	22,950
Business	108,190	91,002	106,517	(15,515)
Operations and Maintenance	2,080,084	2,148,207	2,047,911	100,296
Pupil Transportation	1,775,558	1,903,363	1,748,096	155,267
Central	139,928	136,550	137,764	(1,214)
Operation of Non-Instructional Services	15,084	21,757	14,851	6,906
Extracurricular Activities	304,396	302,854	299,688	3,166
Capital Outlay	563,515	679,605	554,799	124,806
<b>Total Expenditures</b>	<b>21,835,143</b>	<b>22,211,069</b>	<b>21,497,421</b>	<b>713,648</b>
Excess of Revenues Over (Under) Expenditures	(190,885)	(198,480)	538,643	737,123
Other financing sources (uses):				
Proceeds of Capital Leases	49,953	46,957	50,857	3,900
Advances In	19,222	19,570	19,570	0
Advances (Out)	0	(42,240)	0	42,240
Transfers (Out)	(1,109,553)	(1,092,392)	(1,092,392)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,040,378)</b>	<b>(1,068,105)</b>	<b>(1,021,965)</b>	<b>46,140</b>
<b>Net Change in Fund Balance</b>	<b>(1,231,263)</b>	<b>(1,266,585)</b>	<b>(483,322)</b>	<b>783,263</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,294,754	6,294,754	6,294,754	0
<b>Fund Balance End of Year</b>	<b>\$5,063,491</b>	<b>\$5,028,169</b>	<b>\$5,811,432</b>	<b>\$783,263</b>

See accompanying notes to the Required Supplementary Information.

**MIAMI TRACE LOCAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2006**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2006.

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

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$403,540
Net Adjustment for Revenue Accruals	(128,325)
Net Adjustment for Expenditure Accruals	(252,219)
Encumbrances	<u>(506,318)</u>
Budget Basis	<u>(\$483,322)</u>



MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006

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>						
Food Distribution Program Nutrition Cluster:	N/A	10.550	\$0	\$54,053	\$0	\$48,020
National School Breakfast Program	05-PU-2006 05-PU-2005	10.553	71,271		71,271	
National School Lunch Program	LL-P4-2006 LL-P4-2005	10.555	204,055		204,055	
Total Nutrition Cluster			<u>275,326</u>	<u>0</u>	<u>275,326</u>	<u>0</u>
Total U.S. Department of Agriculture			<b>275,326</b>	<b>54,053</b>	<b>275,326</b>	<b>48,020</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-PB-2006 6B-SD-2006 6B-SF-2005 6B-SF-2006	84.027	548,818	0	529,379	0
			<u>548,818</u>	<u>0</u>	<u>529,379</u>	<u>0</u>
IDEA Preschool Grant for Handicapped	PG-S1-2005 PG-S1-2006	84.173	18,025		17,965	
			<u>18,025</u>	<u>0</u>	<u>17,965</u>	<u>0</u>
Total Special Education Cluster			<b>566,843</b>	<b>0</b>	<b>547,344</b>	<b>0</b>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2006 C1-S1-2005	84.010	410,640	0	396,641	0
Innovative Educational Program Strategies	C2-S1-2006 C2-S1-2005	84.298	11,932	0	9,378	0
Drug-Free Schools Grant	DR-S1-2006 DR-S1-2005	84.186	15,495	0	16,445	0
Title IID, Technology Fund	TJ-S1-2006	84.318	9,033	0	10,145	0
Improving Teacher Quality State Grants	TR-S1-2006 TR-S1-2005	84.367	198,021	0	179,943	0
Total U.S. Department of Education			<u>1,211,964</u>	<u>0</u>	<u>1,159,896</u>	<u>0</u>
<b>U.S. DEPARTMENT OF HEALTH and HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fud System (CAFS)	N/A	93.778	36,856	0	36,856	0
State Children's Insurance Program	N/A	93.767	2,482	0	2,482	0
Total U.S. Department of Health and Human Services			<u>39,338</u>	<u>0</u>	<u>39,338</u>	<u>0</u>
<b>Totals</b>			<u><b>\$1,526,628</b></u>	<u><b>\$54,053</b></u>	<u><b>\$1,474,560</b></u>	<u><b>\$48,020</b></u>

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

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2005**

**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 -- FOOD DISTRIBUTION PROGRAM**

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**NOTE C -- CHILD NUTRITION CLUSTER**

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



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the governmental activities, each major fund, and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 17, 2007, we reported a certain matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Miami Trace Local School District  
Fayette County  
Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 17, 2007



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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, Fayette County, Ohio (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 apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Miami Trace Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

#### Internal Control Over Compliance

The District's management 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 the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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 intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 17, 2007

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

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

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

None.







**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 10, 2007**