



Mary Taylor, CPA
Auditor of State

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miamisburg City School District
Montgomery County
540 Park Avenue
Miamisburg, Ohio 45342

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 Miamisburg City School District, Montgomery County, (the District), as of and for the year ended June 30, 2008, 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 Miamisburg City School District, Montgomery County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 Schedule of Federal Awards Receipts and Expenditures provides additional information and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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

March 27, 2009

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Management's discussion and analysis of the Miamisburg City School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008. The purpose of this discussion and analysis is to look at the District's financial performance as a whole. The notes to the financial statements will also enhance your understanding of the District's financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$22.9 million (net assets). The District's net assets decreased approximately \$2.6 million from the previous fiscal year.
- The District's program revenues accounted for \$7.3 million (or 14.2%) of total revenues while general revenues accounted for \$43.9 million (or 85.8%) of total revenues.
- The District's governmental funds reported combined ending fund balances of \$91 million, an increase of \$76 million from the previous fiscal year. Of this total amount, \$84 million is available for spending at the District's discretion (unreserved fund balance) and \$7.2 million is reserved.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1.7 million, or 3.9% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The District has no proprietary funds.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Governmental Funds

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

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

The District accounts for its activities using many individual governmental funds. The most significant funds, known as major funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the District as a whole. The District's major funds include the following: General Fund, Debt Service Fund, Permanent Improvement Fund, Building Fund, and Capital Projects Fund. Data for the other governmental funds are combined in a single aggregated column.

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

Net Assets at Fiscal Year End

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22.9 million at the close of the fiscal year.

By far the largest portion of the District's net assets (59.5%) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a condensed summary of the District's overall financial position at the fiscal years ended June 30, 2007; and June 30, 2008.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

District Net Assets		
	2007	2008
Assets:		
Current Assets	\$49,433,573	\$129,620,697
Capital Assets	21,339,963	21,189,319
Total Assets	70,773,536	150,810,016
Liabilities:		
Current Liabilities	34,462,524	37,964,074
Long-Term Liabilities	10,856,283	89,999,910
Total Liabilities	45,318,807	127,963,984
Net Assets:		
Invested in Capital, net of Debt	13,501,478	13,665,834
Restricted	6,578,194	9,281,565
Unrestricted	5,375,057	(101,367)
Total Net Assets	\$25,454,729	\$ 22,846,032

The District's total assets have increased to \$150.8 million in fiscal year 2008 while the total liabilities have increase to \$127.9 million. These increases are directly tied to the issuance of \$78.5 million in bond anticipation notes. These notes were passed after the passage of the bond levy. The proceeds will be used in the District's various construction projects.

Net assets decreased approximately \$2.6 million from fiscal year 2007 to fiscal year 2008. This is directly attributable to the District revenue decreasing while the District's annual expenses increased.

Governmental Activities During the Fiscal Year

Governmental activities decreased the District's net assets by approximately \$2.6 million. Key elements of this decrease are as follows:

Changes in Net Assets		
	2007	2008
Revenues:		
Program Revenues:		
Charges for Services	\$2,289,545	\$2,019,479
Operating Grants and Contributions	4,449,043	5,255,698
Total Program Revenues	6,738,588	7,275,177
General Revenues:		
Property Taxes	31,156,990	28,107,676
Grants and Entitlements	13,437,667	14,347,506
Payment in Lieu of Taxes	194,469	261,496
Investment Earnings	838,505	781,663
Miscellaneous	287,216	396,676
Total General Revenues	45,914,847	43,895,017
Total Revenues	52,653,435	51,170,194

(Continued)

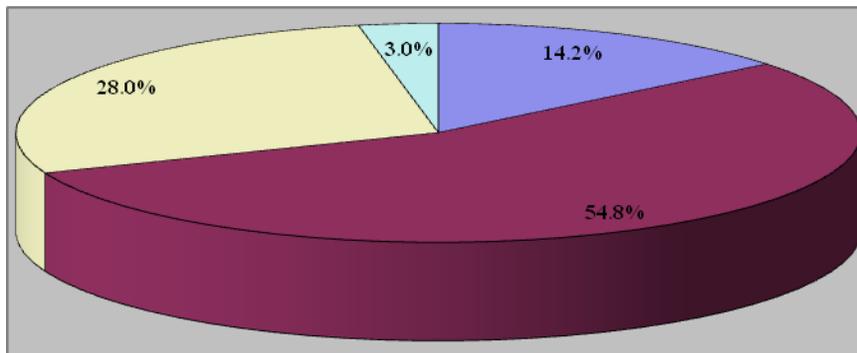
**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

**Changes in Net Assets
(Continued)**

	2007	2008
Expenses:		
Instruction	31,639,518	32,447,155
Support Services	16,896,527	17,018,160
Non-Instructional Activities	2,230,919	3,108,536
Extracurricular Activities	857,525	855,088
Interest and Fiscal Charges	539,538	349,952
Total Expenses	<u>52,164,027</u>	<u>53,778,891</u>
Change in Net Assets	<u>\$ 489,408</u>	<u>(\$2,608,697)</u>

FY08 Revenue Sources



Program revenues account for \$7.3 million (or 14.2%) of the District total revenues. However, tax revenues continue to remain the main source of funding for the District. During fiscal year 2008, the District received \$28.1 million (or 54.8%) of its total revenues from tax revenues. The other main source of funding for the District is grants and entitlements which comprised \$14.3 million (or 28.0%) during fiscal year 2008. Total revenues declined approximately \$1.4 million (or 2.6%) in fiscal year 2008 compared to fiscal year 2007.

The following table presents the total cost of each of the District's primary services and the comparative net cost after deducting the revenues generated by each function.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Governmental Activities				
	Total Cost of Services	Program Revenue	Revenue as a Percent of Total Cost	Net Cost of Services
Instruction	\$32,447,155	\$3,167,698	9.76%	\$29,279,457
Support Services	17,018,160	1,477,845	8.68%	15,540,315
Non-Instructional Activities	3,108,536	2,385,184	76.73%	723,352
Extracurricular Activities	855,088	244,450	28.59%	610,638
Interest and Fiscal Charges	349,952			349,952
Totals	\$53,778,891	\$7,275,177	13.53%	\$46,503,714

Under the full accrual basis of account, total instruction costs increased \$0.8 million (or 2.6%) and total support services costs increased \$121,633 (or 0.7%) during fiscal year 2008. The District continues to monitor its expenses to ensure that its resources are spent in areas where a need exists.

Financial Analysis Of The District's Major Funds

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of fiscal year 2008, the District's governmental funds reported combined ending fund balances of \$91 million, an increase of \$76 million from the previous fiscal year. This increase is the result of the District issuing bond anticipation notes after the passage of the bond levy for the District's various construction projects. Of the total combined ending fund balances, \$84.8 million is available in the District's various Capital Projects Funds.

Approximately \$6.1 million of the total ending fund balances is reserved to liquidate contracts and purchase orders of the prior period. In addition, \$1.2 million is restricted for a variety of other restricted purposes.

General Fund

The General Fund is the chief operating fund of the District. At the end of fiscal year 2008, the unreserved fund balance of the General Fund was \$1.7 million while the total fund balance was \$3.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. The unreserved fund balance represents 3.9% of total General Fund expenditures. The total fund balance represents 6.8% of total General Fund expenditures.

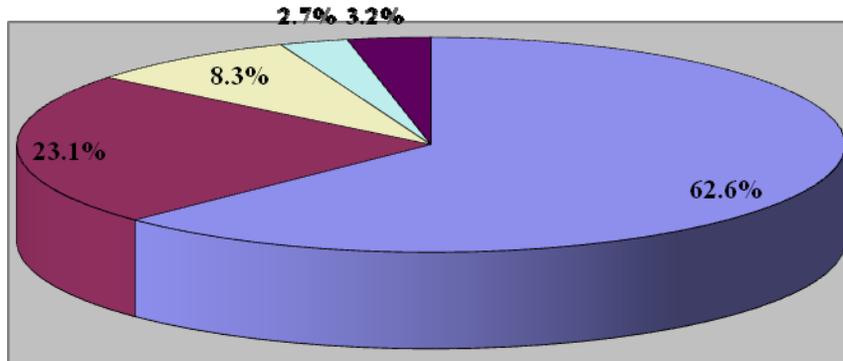
The following table shows the change in General Fund revenues for fiscal years 2007, and 2008.

Revenues	2007	2008	2-Year Change
Taxes	\$27,466,160	\$24,722,389	(10.0)%
Intergovernmental	14,561,831	15,241,291	4.7%
Interest	838,505	701,174	(16.4)%
Tuition	273,765	241,532	(11.8)%
Other Revenue	247,294	356,739	44.3%
Total Revenues	\$43,387,555	\$41,263,125	(4.9%)

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

As the following graph illustrates, the largest portion of General Fund expenditures is for salaries and wages. The second largest portion is for fringe benefits. The District is a service entity, and as such is labor intensive.



■ Salaries & Wages ■ Fringe Benefits ■ Purchased Services ■ Supplies ■ Miscellaneous

Debt Service Fund

The Debt Service Fund has a total fund balance of \$1.3 million. Approximately \$24,100 is reserved to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes. The Debt Service Fund experienced a 13% increase in fund balance from the previous fiscal year.

The revenues of the Debt Service Fund are property taxes and homestead and rollback monies received from the state. The expenses of the Debt Service Fund are related to principal and interest payments on the District's outstanding debt.

Permanent Improvement Fund

The Permanent Improvement Fund has a total fund balance of \$4.1 million. Approximately \$656,000 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$543,000) or for a variety of other restricted uses (\$113,000). The Permanent Improvement Fund had a \$1.2 million increase in its fund balance from the previous fiscal year.

The revenues of the Permanent Improvement Fund are primarily property taxes and homestead and rollback monies received from the state. The expenses of the Permanent Improvement Fund are primarily for instruction and support services.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)
(Continued)**

Building Fund

The Building fund is relatively new in fiscal year 2008 with a total fund balance of \$78.5 million. Approximately \$4.9 million is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders.

The revenues of the Building Fund are proceeds from the bond anticipation notes issued after the passage of the bond levy. The expenses of the Building Fund will be for the District's various construction projects.

Capital Projects Fund

The Capital Projects Fund has a total fund balance of \$2.1 million. The intent of the Capital Projects Fund is to help the District meet its ever increasing capital needs. There was no significant activity in the Capital Projects Fund during fiscal year 2008.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The final amended revenue estimate was \$1.5 million less than the original estimate. The final appropriations resolution was \$1.0 million more than the original estimate. There were no differences between the Districts' final amended certificate and actual revenues or the District's final amended budget and actual expenditures.

Capital Assets

The Districts investment in capital assets as of June 30, 2008 amounts to \$21.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture and equipment, and vehicles. Total acquisitions for fiscal year 2008 were \$1.5 million. Total depreciation for fiscal year 2008 was \$1.6 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (see Note 7).

Debt

At June 30, 2008, the District had \$85.85 million in outstanding bonds and bond anticipation notes. During the fiscal year, the District issued \$78.5 million in bond anticipation notes and paid \$315,000 in principal on bonds outstanding. Detailed information regarding long-term debt is included in the notes to the basic financial statements (see Note 12).

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Should you have any questions about this report or need additional financial information, please contact Mark A. Schiel, CFO/Treasurer of Miamisburg City Schools at the following address:

Miamisburg City Schools
Attention: Mark A. Schiel, CFO/Treasurer
540 East Park Avenue
Miamisburg, OH 45342

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**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$96,700,667
Receivables:	
Taxes	32,020,376
Accounts	103,170
Intergovernmental	553,593
Deferred Charges	219,470
Inventory Held of Resale	23,421
Capital Assets, Net	21,189,319
Total Assets	150,810,016
Liabilities:	
Accounts Payable	619,457
Accrued Wages and Benefits	5,150,433
Intergovernmental Payable	1,297,643
Deferred Revenue	30,896,541
Long-Term Liabilities:	
Due within One Year	79,580,889
Due in More Than One Year	10,419,021
Total Liabilities	127,963,984
Net Assets:	
Invested in Capital Assets, Net of Related Debt	13,665,834
Restricted for:	
Debt Service	1,260,730
Capital Projects	6,093,438
Other	1,927,397
Unrestricted	(101,367)
Total Net Assets	\$22,846,032

See accompanying notes to the basic financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

	Program Revenues		Net Revenue (Expense) & Change in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			Governmental Activities
Instruction:			
Regular	\$24,067,124	\$419,416	\$316,492
Special	7,196,893	44,874	2,229,027
Vocational	730,386		140,930
Other	452,752		16,959
Support Services:			
Pupil	4,281,363		44,082
Instructional Staff	1,442,308		67,073
Board of Education	33,231		(33,231)
Administration	3,051,186		105,756
Fiscal Services	945,043		(945,043)
Business	293,993		(293,993)
Maintenance	3,924,942		(3,924,942)
Pupil Transportation	2,511,914		1,067,695
Central	534,180		193,239
Non-Instructional	3,108,536	1,310,739	1,074,445
Extracurricular Activities	855,088	244,450	(610,638)
Interest and Fiscal Charges	349,952		(349,952)
Total Governmental Activities	\$53,778,891	\$2,019,479	\$5,255,698
			(46,503,714)
General Revenues			
Property Taxes Levied for:			
General Purposes			24,722,389
Debt Service			563,979
Capital Projects			2,821,308
Grants & Entitlements not Restricted to Specific Programs			14,347,506
Payment in Lieu of Taxes			261,496
Investment Earnings			781,663
Miscellaneous			396,676
Total General Revenues			43,895,017
Change in Net Assets			(2,608,697)
Net Assets: Beginning of Year			25,454,729
Net Assets: End of Year			\$22,846,032

See accompanying notes to the basic financial statements.

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**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Building</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$8,471,199	\$1,236,634	\$4,090,570	\$78,514,819
Receivables:				
Taxes	24,563,028	4,698,352	2,758,996	
Accounts	284		150	
Intergovernmental	251,665			
Inventory Held for Resale				
Interfund Receivable	60,293			
Total Assets	<u>33,346,469</u>	<u>5,934,986</u>	<u>6,849,716</u>	<u>78,514,819</u>
Liabilities:				
Accounts Payable	367,781		96,930	455
Accrued Wages and Benefits	4,765,526			
Intergovernmental Payable	1,186,273			
Interfund Payable				
Deferred Revenue	23,558,390	4,674,256	2,646,411	
Compensated Absences Payable	385,619			
Total Liabilities	<u>30,263,589</u>	<u>4,674,256</u>	<u>2,743,341</u>	<u>455</u>
Fund Balances:				
Reserved:				
Encumbrances	303,334		542,999	4,913,568
Inventory				
Property Taxes	1,004,638	24,096	112,585	
Unreserved, Reported in:				
General Fund	1,774,908			
Special Revenue Funds				
Debt Service Fund		1,236,634		
Capital Projects Funds			3,450,791	73,600,796
Total Fund Balances	<u>3,082,880</u>	<u>1,260,730</u>	<u>4,106,375</u>	<u>78,514,364</u>
Total Liabilities and Fund Balances	<u>\$33,346,469</u>	<u>\$5,934,986</u>	<u>\$6,849,716</u>	<u>\$78,514,819</u>

See accompanying notes to the basic financial statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$2,139,699	\$2,247,746	\$96,700,667
		32,020,376
	102,736	103,170
	301,928	553,593
	23,421	23,421
		60,293
<u>2,139,699</u>	<u>2,675,831</u>	<u>129,461,520</u>
23,610	130,681	619,457
	384,907	5,150,433
	101,370	1,287,643
	60,293	60,293
	78,926	30,957,983
	62	385,681
<u>23,610</u>	<u>756,239</u>	<u>38,461,490</u>
1,847	306,356	6,068,104
	23,421	23,421
		1,141,319
		1,774,908
	1,568,355	1,568,355
		1,236,634
<u>2,114,242</u>	<u>21,460</u>	<u>79,187,289</u>
<u>2,116,089</u>	<u>1,919,592</u>	<u>91,000,030</u>
<u>\$2,139,699</u>	<u>\$2,675,831</u>	<u>\$129,461,520</u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

Total Governmental Fund Balances	\$91,000,030
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.	21,189,319
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	280,912
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Intergovernmental Payable	(10,000)
Bond Premium	(548,167)
Compensated Absences	(3,216,062)
General Obligation Debt	(85,850,000)
	<u>(89,624,229)</u>
Net Assets for Governmental Activities	<u>\$22,846,032</u>

See accompanying notes to the basic financial statements.

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**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Building</u>
Revenues:				
Taxes	\$24,722,389	\$563,979	\$2,821,308	
Intergovernmental	15,241,291	114,514	528,966	
Charges for Services				
Interest	701,174		80,489	
Tuition and Fees	241,532			
Extracurricular Activities				
Other	356,739		54,010	
Total Revenues	<u>41,263,125</u>	<u>678,493</u>	<u>3,484,773</u>	
Expenditures:				
Current:				
Instruction:				
Regular	22,335,879		1,277,162	
Special	5,796,809		9,700	
Vocational	677,098		32,800	
Other	448,642			
Support Services:				
Pupils	4,171,304		223	
Instructional Staff	1,376,484		60,497	
Board of Education	30,720			
Administration	2,950,232		5,209	
Fiscal	909,684	9,361	48,818	
Business	294,395		1,040	
Operation and Maintenance of Plant	3,370,419		488,810	
Pupil Transportation	2,357,620		282,599	
Central	389,049		6,200	
Non-Instructional Services	24,890			
Extracurricular Activities	512,894		22,913	
Capital Outlay			18,400	\$768
Debt Service:				
Principal Retirement		315,000		
Interest and Fiscal Charges		359,590		
Total Expenditures	<u>45,646,119</u>	<u>683,951</u>	<u>2,254,371</u>	<u>768</u>
Revenues Over/(Under) Expenditures	<u>(4,382,994)</u>	<u>(5,458)</u>	<u>1,230,402</u>	<u>(768)</u>
Other Financing Sources (Uses):				
Other Financing Sources	132,613		270	
Other Financing Uses		(117,750)		
Premium on Bonds/Notes Sold		282,600		
Proceeds from Notes				78,500,000
Operating Transfers In				
Operating Transfers Out	(203,241)			
Advances In				
Advances Out				
Total Other Financing Sources (Uses)	<u>(70,628)</u>	<u>164,850</u>	<u>270</u>	<u>78,500,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Revenues	<u>(4,453,622)</u>	<u>159,392</u>	<u>1,230,672</u>	<u>78,499,232</u>
Fund Balance at Beginning of Year	<u>7,536,502</u>	<u>1,101,338</u>	<u>2,875,703</u>	<u>15,132</u>
Fund Balance at End of Year	<u>\$3,082,880</u>	<u>\$1,260,730</u>	<u>\$4,106,375</u>	<u>\$78,514,364</u>

See accompanying notes to the basic financial statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
		\$28,107,676
	\$3,849,870	19,734,641
	1,480,010	1,480,010
	49,033	830,696
	1,756	243,288
	232,069	232,069
\$900	122,210	533,859
900	5,734,948	51,162,239
	374,170	23,987,211
	1,307,397	7,113,906
	(796)	709,102
	16,959	465,601
	60,504	4,232,031
	72,616	1,509,597
		30,720
	104,583	3,060,024
		967,863
		295,435
		3,859,229
	10,702	2,650,921
	190,472	585,721
	3,089,863	3,114,753
	279,231	815,038
33,872		53,040
		315,000
		359,590
33,872	5,505,701	54,124,782
(32,972)	229,247	(2,962,543)
	24,110	156,993
		(117,750)
		282,600
		78,500,000
	219,734	219,734
	(16,062)	(219,303)
	227,782	78,822,274
(32,972)	457,029	75,859,731
2,149,061	1,462,563	15,140,299
\$2,116,089	\$1,919,592	\$91,000,030

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCED OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$75,859,731
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	1,492,470
Depreciation Expense	(1,625,083)
Repayment of debt principal and bond amortization of bond premium is an expenditure in the governmental funds; however the repayment reduced long-term liabilities in the Statement of Net Assets.	
Debt Principal	315,000
Amortization of Bond Premium	15,622
Governmental funds report the proceeds of bond anticipation notes when issued. However, this is not recorded on the Statement of Activities.	
	(78,500,000)
Governmental funds report the effect of issuance costs and premiums when the debt is first issued. However, these amounts are deferred and amortized on the Statement of Activities.	
Bond Issuance Costs	111,766
Bond Premium	(282,600)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(131,437)
Some expenses reported in the Statement of Activities, such as compensated absences and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	<u>135,834</u>
Change in Net Assets of Governmental Activities	<u><u>(\$2,608,697)</u></u>

See accompanying notes to the basic financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Total Revenues	\$43,465,711	\$41,984,299	\$41,984,299	
Expenditures:				
Current:				
Instruction:				
Regular	21,708,724	22,015,421	22,015,421	
Special	5,596,504	5,897,229	5,897,229	
Vocational	703,525	702,656	702,656	
Other	276,000	453,661	453,661	
Support Services:				
Pupils	3,446,620	4,075,404	4,075,404	
Instructional Staff	1,578,844	1,406,254	1,406,254	
Board of Education	49,850	30,820	30,820	
Administration	3,171,829	2,881,811	2,881,811	
Fiscal	858,450	918,480	918,480	
Business	265,375	291,692	291,692	
Operations and Maintenance of Plant	3,613,122	3,446,080	3,446,080	
Pupil Transportation	2,219,375	2,358,344	2,358,344	
Central	395,005	441,443	441,443	
Extracurricular Activities	508,700	513,699	513,699	
Total Expenditures	<u>44,391,923</u>	<u>45,432,994</u>	<u>45,432,994</u>	
Revenues Over/(Under) Expenditures	<u>(926,212)</u>	<u>(3,448,695)</u>	<u>(3,448,695)</u>	
Other Financing Sources (Uses):				
Transfers Out	(50,000)	(203,241)	(203,241)	
Advances Out		(60,293)	(60,293)	
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(263,534)</u>	<u>(263,534)</u>	
Net Change in Fund Balance	(976,212)	(3,712,229)	(3,712,229)	
Fund Balances at Beginning of Year	10,764,917	10,764,917	10,764,917	
Prior Year Encumbrances Appropriated	712,710	712,710	712,710	
Fund Balances at End of Year	<u>\$10,501,415</u>	<u>\$7,765,398</u>	<u>\$7,765,398</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AS OF JUNE 30, 2008

	Agency Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$150,653
Accounts Receivable	353
Total Assets	<u>151,006</u>
Liabilities:	
Due to Others	49,192
Due to Students	101,814
Total Liabilities	<u>\$151,006</u>

See accompanying notes to the basic financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Miamisburg City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The first official body designed as the Miamisburg City School District was formed in the 1800s.

The District operated under a locally elected five-member Board from of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board controls the District's instructional/support facilities staffed by 669 full-time employees. There are 412 certificated employees including 25 administrators and 257 classified employees including 5 administrators, who provide services to approximately 5,700 students and other community members.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading.

The primary government consists of all funds and departments that provide various services including vocational and adult instruction, student guidance, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes.

The District does not have any component units.

The District is associated with three organizations that are defined as jointly governed. These organizations include the Metropolitan Dayton Education Computer Association (MDECA), the Southwestern Ohio Educational Purchasing Cooperative, and the Miami Valley Career Technology Center. These organizations are presented in Note 13 to the basic financial statements.

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

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

1. Major Governmental Funds:

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by permanent improvement, proprietary, and trust funds.

Building Fund - The Building Fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by permanent improvement, proprietary, and trust funds.

2. Other Fund Types:

Fiduciary Funds - Fiduciary Funds are used to accounts for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include private-purpose trust and agency funds. Private-purpose trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

B. Basis of Presentation

1. Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

2. Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

1. Revenues, Exchanges, and Non-Exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, grants, and student fees.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue

The District reports deferred revenue on its Statement of Net Assets and governmental fund Balance Sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available, and for tax receipts the "intended to finance" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Statement of Net Assets and governmental funds Balance Sheet and revenue is recognized.

3. Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are prepared as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

D. Cash and Investments

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost.

During FY08, the District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 the last day of the fiscal year.

Under existing Ohio statutes, all investment earnings accrue to the general and food service funds. Interest earnings are allocated to these funds based on average monthly cash balances. Investment income credited to the General Fund during FY08 amounted to \$701,174. The Permanent Improvement Fund, Food Service Fund, and Auxiliary Services Fund also received interest revenue of \$80,489, \$35,961, and \$13,072, respectively.

E. Inventory Held for Resale

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a FIFO basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component unit of net current assets.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets and Depreciation

General capital assets are reported in the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest costs as part of fixed assets. Interest is expenses as incurred. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure.

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

<u>Description</u>	<u>Useful Life</u>
Land	Not Depreciated
Land Improvements	10 – 25 years
Buildings & Improvements	20 – 50 years
Furniture & Equipment	5 – 20 years
Vehicles	1 – 15 years

G. 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 fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The District currently participates in several State and Federal programs, categorized as follows:

- Entitlements**
- General Fund**
- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Alternative Schools Grant
Connectivity Grant
Drug Free School Grant
Pre-school Disabilities Grant
Title I
Title II

Auxiliary Services
CSR Grant
Education Management Information Systems
Poverty Based Assistance
Title VI
IDEA Part B

Reimbursable Grants

Special Revenue Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to 38.6% of the District's operation revenue during FY08.

I. Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the termination method, which states that an accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

J. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported in the entity-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs and student activities, and federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide Statement of Net Assets reports \$9,281,565 of restricted net assets, of which none is restricted by enabling legislation.

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, and taxes available for advance.

M. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level for the general and permanent improvement funds, and at the function level for all others. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operation budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

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

3. Appropriations

Upon receipt from the County Auditor, an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The total of the expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board of Education may pass supplementary fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, 11 supplemental appropriations were legally enacted; however, these amendments were not significant. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than agency funds at the legal level of control, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, requires accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. The Statement of Revenues, Expenditures and Changes in Fund Balances, Budget (non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operation transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operation statements. These amounts are included as revenue on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	
	General Fund
GAAP Basis	(\$4,453,622)
Revenue Accruals	588,561
Expenditure Accruals	823,565
Encumbrances	(670,733)
Budget Basis	(\$3,712,229)

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Cash Equivalents." Statutes require the classification of monies held by the District into three categories.

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

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal and interest obligations, reverse purchase 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$11,848,776. Based on the criteria described in GASB State No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$11,131,144, of the District bank balance of \$11,626,144 was exposed to custodial risk as discussed below, while \$495,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool collateral against all of the public deposits in holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

	Carrying Value	Maturity				Concentration of Credit Risk
		<1 Year	1-2	2-3	3-5	
Money Market	\$ 3,744,720	\$ 3,744,720				4.41%
FFCB	996,560				\$ 996,560	1.17%
FHLB	28,267,282	8,947,390	\$ 7,945,810	\$2,003,440	9,370,643	33.25%
FHLMC	27,645,284	11,633,389	4,978,160	4,007,580	7,026,155	32.52%
FNMA	15,343,920	4,970,173	7,482,990	1,983,440	907,317	18.05%
US Treasury	195,280	195,280				0.23%
STAR Ohio	8,809,498	8,809,498				10.37%
Totals	\$85,002,544	\$38,300,450	\$20,406,960	\$7,994,460	\$18,300,675	100.00%

The weighted average maturity of investments is 1.92 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities of five years or less.

Credit Risk: The District's investments were rated AAA or Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Assets as of June 30, 2008:

Cash and Investments per Footnote	
Carrying Amount of Deposits	\$11,848,776
Investments	85,002,544
	<u>\$96,851,320</u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

Cash and Investments per Statement of Net Assets	
Government Activities	\$96,700,667
Agency Funds	<u>150,653</u>
	<u>\$96,851,320</u>

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at 25% of true value for capital assets and 24% of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance FY08 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2008 was \$1,004,638 in the General Fund, \$24,096 in the Debt Service Fund, and \$112,585 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2007 was \$1,504,371 in the General Fund, \$35,884 in the Debt Service Fund, and \$167,885 in the Permanent Improvement Fund.

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 2008 taxes were collected are as follows.

	2007 2nd		2008 1st Half	
	Half Collections	Percent	Collections	Percent
Agriculture/Residential & Other	\$886,791,260	91.38%	\$898,978,000	94.38%
Public Utilities Personnel	23,252,950	2.40%	18,756,630	1.97%
Tangible Personal Property	60,390,502	6.22%	34,793,805	3.65%
Total	\$970,434,712	100.00%	\$952,528,435	100.00%

6. RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of receivables as of June 30, 2008 follows.

Taxes: Current and Delinquent	\$32,020,376
Accounts	103,170
Intergovernmental	553,593
Total Receivable	\$32,615,698

7. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Governmental Activities:				
Land and Improvements	\$ 3,569,773			\$ 3,569,773
Buildings	25,164,840	\$492,416		25,657,256
Equipment	8,055,375	697,186	\$98,883	8,653,678
Vehicles	3,280,688	302,868	27,680	3,555,876
Totals	40,070,676	1,492,470	126,563	41,436,583
Accumulated Depreciation:				
Land and Improvements	284,411	35,643		320,054
Buildings	11,307,765	567,703		11,875,468
Equipment	5,246,078	884,285	94,074	6,036,289
Vehicles	1,892,459	137,452	14,458	2,015,453
Total	18,730,713	1,625,083	108,532	20,247,264
Capital Assets, Net	\$21,339,963	(\$ 132,613)	\$18,031	\$21,189,319

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$899,766
Special	83,582
Vocational	46,632
Other	557
Special Services:	
Pupil	46,943
Instructional Staff	50,288
Board of Education	2,511
Administration	46,436
Fiscal Services	5,824
Business	2,851
Operations & Maintenance	95,264
Pupil Transportation	167,229
Central	2,731
Non-Instructional Services	121,680
Extracurricular Activities	52,789
Total Depreciation Expense	\$1,625,083

8. DEFINED BENEFIT PENSION PLANS

A. 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16% of annual covered salary was the portion 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$630,172, \$741,155, and \$703,817; 46.48% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that may be obtained by writing to the State Teacher's Retirement System, 275 East Broad Street, Columbus, Ohio 45215-3371 or by calling (614) 227-4090. It is also posted on STRS' website at www.strs.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combine 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 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 the DB Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC Plan and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC Plan 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 or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% percent was the portion used to fund pension obligations. Contributions 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 member and employer contributions.

The District's contributions for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006 were \$3,106,155, \$3,024,320, and \$2,858,164, respectively; 82.33% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. Contributions to the DC Plan and Combined Plan for fiscal year 2008 were \$39,886 made by the District and \$96,382 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, no employees of the District have elected Social Security.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administer two postemployment benefit plans for retired non-certified employees and their dependents.

1. **Medicare Part B Plan** - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50. SERS' reimbursement to retirees was \$45.50.
2. **Health Care Plan** - Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. The SERS Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Inter Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the SERS Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution, as of the December 31, 2006 annual valuation was 11.5% of covered payroll. The actuarially required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$439,004, \$334,897, and \$322,650, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

The financial reports of the SERS Health Care and Medicare Part B plans are included in its *Comprehensive Annual Financial Report*. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

B. State Teachers Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the State Teachers Retirement System (STRS) administers postemployment benefit plans for retired teachers and their dependents.

1. **Plan Description** - STRS administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS issues a stand alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

2. **Funding Policy** - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007, and 2006. The 14% employer contribution is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$238,935, \$232,640, and \$219,859.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

1. **Accumulated Unpaid Vacation**

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his/her estate) is paid for his/her unused vacation leave. The total obligations for vacation leave for the District as a whole amount to \$121,545 at June 30, 2008.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

2. Accumulated Unpaid Sick Leave

District employees may accumulate sick leave. Upon retirement, payment is made based upon negotiated agreements. The total obligation for sick leave accrual for the District as a whole, as of June 30, 2008 was \$3,480,199.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$104,892,310 for property and a \$2,500 deductible. Indiana Insurance Company also covers auto insurance for actual cash value with a \$500 deductible. General liability insurance is under Indiana Insurance Company. The base policy has a \$1,000,000 per occurrence and a \$1,000,000 aggregate limit. The treasurer, superintendent, director of business services, and Board President are bonded separately.

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC or Cooperative). The Cooperative contracts with Acordia, Inc. to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays its workers compensation premium to the State based on the rate for the pool rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Acordia, Inc. provides administrative, cost control and actuarial services to the SOEPC.

The District has elected to provide employee medical benefits through Anthem Blue Cross and Blue Shield. The employees share the cost of the monthly premium with the Board of Education. The percentage varies depending upon the plan selected by the employee. The District provides life insurance to employees through the American United Life Insurance Company.

12. LONG-TERM OBLIGATIONS

The District's general obligation bonds were issued April 1, 1998 at 5.11% and mature December 1, 2015. The bonds were issued for construction and renovation of school buildings and are paid from the debt service fund with property tax revenue. The District's refunding bonds were issued on November 10, 2006 at 4.01%-16.59% and mature on December 1, 2024. The bonds were issued for the purpose of advance refunding certain bonds at the District. The District's bond anticipation notes were issued on May 6, 2008 at 2.50% and mature November 13, 2008. The bond anticipation notes were issued for construction and renovation of school buildings and are paid from the debt service fund with property tax revenue. Compensated absences will be paid from the fund from which the employee is paid if the funds are available, otherwise, from the General Fund.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds and bond anticipation notes at June 30, 2008 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$78,825,000	\$1,335,253
2010	325,000	302,213
2011	335,000	289,013
2012	370,000	271,713
2013	390,000	249,913
2014-2018	1,845,000	1,300,728
2019-2023	2,585,000	517,100
2024-2025	1,175,000	49,397
	<u>\$85,850,000</u>	<u>\$4,315,330</u>

Long-term obligations at June 30, 2008 were as follows:

	<u>Balance 06/30/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/08</u>	<u>Amount Due in One Year</u>
1998 General Obligation	\$ 1,950,000		\$270,000	\$ 1,680,000	\$ 280,000
2006 Refunding	5,715,000		45,000	5,670,000	45,000
2008 BANS		\$78,500,000		78,500,000	78,500,000
Bond Premium	281,189	282,600	15,622	548,167	298,222
Compensated Absences	3,191,283	429,654	19,194	3,601,743	457,667
Total LT Obligations	<u>\$11,137,472</u>	<u>\$79,212,254</u>	<u>\$349,816</u>	<u>\$89,999,910</u>	<u>\$79,580,889</u>

The District's legal debt margin was \$85,727,559 or 9% of the District's assessed valuation at June 30, 2008, with an un-voted debt margin of \$952,528, or .1% of the same assessed valuation.

A. Bond Anticipation Notes

The District issued \$78.5 million in bond anticipation notes on May 6, 2008. The bond anticipation notes mature on November 13, 2008. During the issuance of the bond anticipation notes, the District received \$282,600 in bond premium. This will be expensed during FY09.

13. JOINTLY GOVERNED ORGANIZATIONS

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

**MIAMISBURG CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid \$97,666 to MDECA during fiscal year 2008. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

- B. Southwestern Ohio Educational Purchasing Council** - The Southwestern Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The District paid \$326,879 to SOEPC during fiscal year 2008. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brow, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

- C. Miami Valley Career Technology Center** - The Miami Valley Career Technology Center (MVCTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Tipp City, Vandalia, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The District paid \$200 to MVCTC during fiscal year 2008. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

14. INSURANCE PURCHASING POOL

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

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. CONTINGENT LIABILITIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

16. RESERVATIONS OF FUND BALANCE

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount previously reserved for budget stabilization representing Bureau of Workers' Compensation monies required to be set-aside based on legislative changes was reduced to zero through the purchase of textbooks and instructional materials.

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

	<u>Textbook</u>	<u>Capital Acquisition</u>	<u>Total</u>
Balance as of June 30, 2007			
Qualifying Carryover	(\$4,343,448)		(\$4,343,448)
Current Year Set Aside	899,577	\$ 899,577	1,799,154
Current Year Offsets	(1,013,527)	(1,520,686)	(2,534,213)
Qualifying Expenditures	(358,734)	(516,532)	(875,266)
Balance as of June 30, 2008	<u>(4,816,132)</u>	<u>(1,137,641)</u>	<u>(5,953,773)</u>
Qualifying Carryover	(\$4,816,132)	\$ 0	(\$4,816,132)

The textbook set-aside expenditures and offsets in excess of the set-aside requirements may be carried forward to offset future year's set aside requirements. At June 30, 2008, the District had a qualifying carry-over of \$4,816,132 for the textbook reserve.

17. DEFICIT FUND BALANCES

Fund balances at June 30, 2008 included the following individual fund deficits.

	<u>Deficit</u>
Non-Major Funds:	
EMIS (Fund 432)	\$2,514
Title VI-B IDEA (Fund 516)	40,783
Title I (Fund 572)	10,802
Early Childhood Special Education (Fund 587)	3,792
Title II-A (Fund 590)	8,624

These funds complied with Ohio state law, which only prohibits a cash basis deficit at year-end. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. SUBSEQUENT EVENTS

On August 11, 2008, the Board authorized the issuance of obligations in an aggregate amount not to exceed \$78,500,000 for the purpose of constructing and improving facilities; equipping, furnishing, and otherwise improving the same; acquiring and installing technology for the foregoing; and acquiring real estate and interests in real estate necessary in connection with the foregoing and retiring notes previously issued for such purpose.

On January 15, 2009, the Board awarded contracts for the construction of a new elementary school to the following contractors: Burmbaugh Construction in the amount of \$5,460,000 for general trades, Roder Storer & Son in the amount of \$545,515 for plumbing, Slagel Mechanical Contractors in the amount of \$1,189,000 for HVAC, and Reddy Electric in the amount of \$1,230,670 for electrical work.

On March 19, 2009, the Board authorized the issuance of bonds in the amount of \$39,500,000 for the purpose of constructing and improving facilities, equipping, furnishing, and otherwise improving the same, acquiring and installing technology for the foregoing; and acquiring real estate and interests in real estate in connection with the foregoing, and retiring notes previously issued for such purpose.

On March 19, 2009, the Board awarded contracts for the construction of a new middle school to the following contractors. Ferguson Construction in the amount of \$11,973,000 for general trades, Slagle Mechanical in the amount of \$3,345,000 for plumbing, and Reddy Electric in the amount of \$1,925,000 for electrical work.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Food Donation	10.550		\$101,429		\$101,429
Nutritional Cluster:					
School Breakfast Program	10.553	\$117,830		\$117,830	
National School Lunch Program	10.555	693,035		693,035	
Total Nutrition Cluster		<u>810,865</u>		<u>810,865</u>	
Total United States Department of Agriculture		<u>810,865</u>	<u>101,429</u>	<u>810,865</u>	<u>101,429</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Education Agencies	84.010	283,661		296,072	
Special Education Cluster:					
Special Education Grants_to States	84.027	907,797		1,103,359	
Special Education_Preschool Grants	84.173	24,418		27,522	
Total Special Education Cluster		<u>932,215</u>		<u>1,130,881</u>	
Safe and Drug-Free Schools and Communities-State Grants	84.186	14,726		16,404	
State Grants for Innovative Programs	84.298	9,910		10,718	
Education Technology State Grants	84.318	2,650		2,805	
English Language Acquisition Grants	84.365	12,079		11,066	
Improving Teacher Quality State Grant	84.367	130,557		147,415	
Total United States Department of Education		<u>1,385,798</u>		<u>1,615,361</u>	
Total Federal Financial Assistance		<u>\$2,196,663</u>	<u>\$101,429</u>	<u>\$2,426,226</u>	<u>\$101,429</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



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*

Miamisburg City School District
Montgomery County
540 Park Avenue
Miamisburg, Ohio 45342

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 Miamisburg City School District, Montgomery County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2009. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above, finding number 2008-001, is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 27, 2009.

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*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 27, 2009.

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 27, 2009



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

Miamisburg City School District
Montgomery County
540 Park Avenue
Miamisburg, Ohio 45342

To the Board of Education:

Compliance

We have audited the compliance of Miamisburg City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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 Miamisburg City School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

March 27, 2009

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: 10.553 – School Breakfast Program 10.555 – National School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2008-001

Material Weakness - GAAP Conversion

Certain deficiencies were noted in the District's conversion to report year end GAAP financial statements. The Board should address the following conditions:

- The District misstated various net assets categories by following amounts: Invested in Capital Assets (\$78,782,600); Restricted for: Other Purposes (\$1,048,412); Unrestricted \$79,831,012. An audit adjustment was required to properly state the net asset balances. The District should develop and implement policies and procedures to verify that restricted net assets are calculated in accordance with Governmental Accounting Standards Board (GASB) statement number 34 as amended by statement number 46. Failure to do so could result in material misstatements to the financial statements.
- *Governmental Accounting Standards Board (GASB) Statement 33* states the timing of recognition of, respectively, assets, liabilities, and expenses/expenditures resulting from non-exchange transactions should be the same whether the accrual or the modified accrual (current financial resources) basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in this Statement for accrual-basis recognition should have been met and the revenues should be available. "Available" means that the government has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Also, this Statement continues the guidance in NCGA Interpretation 3, Revenue Recognition—Property Taxes, as amended, for recognizing property taxes on the modified accrual basis of accounting.

The District posted \$1,189,988 of property tax delinquencies as unearned revenue on the statement of net assets, rather than as tax revenue on the statement of activities. In addition, taxes receivable was overstated \$4,960 based on an incorrect calculation of the homestead and rollback payments. Additionally the District failed to properly record \$61,441 of intergovernmental receivable as deferred revenue on the modified accrual statements. This resulted in the understatement of tax revenues for the government type activities, part of which required an audit adjustment, and part of which did not.

- The District accounted for all financial activity throughout the year on a cash basis, and then compiled the GAAP information to create the financial statements. During the compilation process the District misclassified \$16,405 of regular instruction expenditures as support service expenditures in the remaining fund information opinion unit. Additionally the District failed to post \$117,750 of other financing uses to the bond retirement fund trial balance. This resulted in the understatement of regular instruction expenditures, which was not material and did not require an audit adjustment; and other financing uses which did require an audit adjustment. The District should implement procedures to verify that all cash transactions are properly posted to the correct functions and accounts.
- The District prepared a Budgetary to Actual Statement for the general fund which presented the budgetary accounting basis for revenues and expenditures which included the reservation for encumbrances. The District failed to properly present the correct beginning balance and prior year reserve for encumbrance which resulted in the overstatement of \$670,733. An audit adjustment was posted to correct this error.

**FINDING NUMBER 2008-001
(Continued)**

- *GASB Technical Bulletin 2004-02* states in governmental fund financial statements, which are prepared on the modified accrual basis of accounting, a cost-sharing employer should recognize:
 - Pension or OPEB expenditures equal to the sum of (1) amounts contributed (paid) during the financial reporting period as contractually required contributions for pay periods within that period and (2) any additional unpaid contractually required contributions for one or more pay periods within that period.
 - A fund liability for the unpaid contractually required contributions (that is, the unpaid contributions assessed for one or more pay periods within the financial reporting period).

The District did not accrue the liability or post the expenditures for the long-term portion of the School Employees Retirement System (SERS) in the amount of \$343,591 to the General Fund and RFI opinion units. This resulted in the understatement of liabilities and expenditures, of which an audit adjustment was posted to correct.

- GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34) requires governments to classify revenues on the Statement of Activities at the government wide financial reporting level as either program revenues or general revenues.

The District reported all intergovernmental program revenues based on the cash basis numbers rather than the GAAP figures, which resulted in an adjustment of \$893,785 to the general revenue grant and entitlements line item. The District should implement procedures to verify that all revenues are posted to the statement of activities at the accrued amounts rather than the cash amounts.

Implementing these procedures over the GAAP reporting process would assist the District in producing a more accurate set of year-end financial statements.

Officials Response:

We did not receive a response from officials to this finding.



Mary Taylor, CPA
Auditor of State

MIAMISBURG CITY SCHOOL DISTRICT

MONTGOMERY 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 14, 2009**