

# **MIAMI TRACE LOCAL SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2010

With Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Miami Trace Local School District  
3818 State Route 41 NW  
Washington CourtHouse, Ohio 43160

We have reviewed the *Independent Auditors' Report* of the Miami Trace Local School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 3, 2011

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Miami Trace Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 12 and 45 through 47, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements of the Miami Trace Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
December 17, 2010

**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

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The discussion and analysis of Miami Trace Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities decreased \$171,506 which represents a less than 1% decrease from 2009.
- General revenues accounted for \$22,597,012 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,226,567 or 22% of total revenues of \$28,823,579.
- The District had \$28,995,085 in expenses related to governmental activities; \$6,226,567 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22,597,012 were also used to provide for these programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consist of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Classroom Facilities Funds are the major funds of the District.

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Miami Trace Local School District  
Management's Discussion and Analysis  
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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District consists of one activity:

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

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

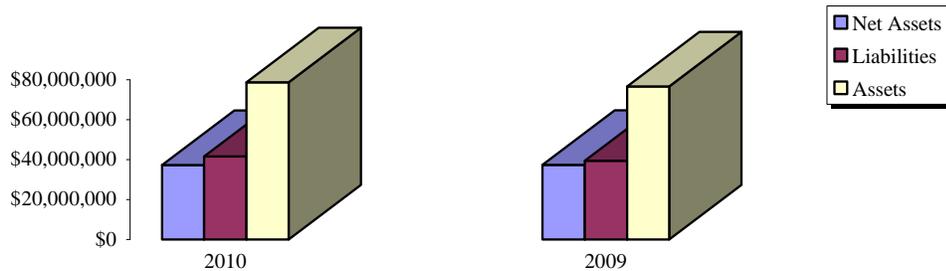
**Miami Trace Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District’s net assets for fiscal year 2010 compared to fiscal year 2009:

Table 1  
Net Assets

	Governmental Activities	
	2010	2009
<b>Assets:</b>		
Current and Other Assets	\$35,346,879	\$44,388,500
Capital Assets	43,451,113	32,370,565
<b>Total Assets</b>	<b>78,797,992</b>	<b>76,759,065</b>
<b>Liabilities:</b>		
Other Liabilities	12,463,595	9,818,911
Long-Term Liabilities	29,133,349	29,567,600
<b>Total Liabilities</b>	<b>41,596,944</b>	<b>39,386,511</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	24,489,461	15,855,565
Restricted	5,790,889	15,702,260
Unrestricted	6,920,698	5,814,729
<b>Total Net Assets</b>	<b>\$37,201,048</b>	<b>\$37,372,554</b>



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2010, the District’s assets exceeded liabilities by \$37,201,048.

**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

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At year-end, capital assets represented 55% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2010, was \$24,489,461. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,790,889 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets decreased mainly due a decrease in Equity in Pooled Cash and Investments, which was due to the District's spending of grant monies from the Ohio School Facilities Commission for building construction and school improvements. Capital Assets for the District increased mainly due to the continuing construction of and completion of new buildings for the District. Long-Term Liabilities decreased mainly due to the District making scheduled debt payments. Invested in capital assets, net of related debt increased, while restricted net assets decreased due to the continuing construction and completion of new buildings for the District.

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**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program Revenues		
Charges for Services	\$2,401,165	\$2,056,085
Operating Grants, Contributions	3,825,402	2,682,574
Capital Grants and Contributions	0	52,435
General Revenues:		
Property Taxes	10,801,765	13,035,558
Grants and Entitlements	11,064,716	19,456,994
Other	730,531	1,282,746
Total Revenues	<u>28,823,579</u>	<u>38,566,392</u>
Program Expenses:		
Instruction	14,503,141	14,597,923
Support Services:		
Pupil and Instructional Staff	3,062,162	2,868,195
School Administrative, General		
Administration, Fiscal and Business	3,528,698	3,508,325
Operations and Maintenance	2,182,328	2,116,377
Pupil Transportation	2,406,343	2,084,012
Central	142,791	110,259
Operation of Non-Instructional Services	1,075,481	1,104,671
Extracurricular Activities	832,910	637,595
Interest and Fiscal Charges	1,261,231	627,626
Total Program Expenses	<u>28,995,085</u>	<u>27,654,983</u>
Change in Net Assets	(171,506)	10,911,409
Net Assets Beginning of Year	<u>37,372,554</u>	<u>26,461,145</u>
Net Assets End of Year	<u><u>\$37,201,048</u></u>	<u><u>\$37,372,554</u></u>

The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service purposes, and capital projects purposes and grants and entitlements comprised 76% of the District's revenues for governmental activities.

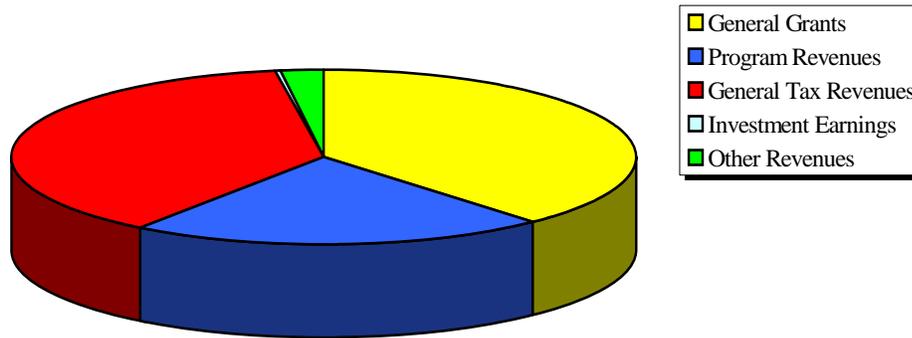
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

**Miami Trace Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

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Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 38% of revenue for governmental activities for the District in fiscal year 2010.

	2010	Percentage
General Grants	\$11,064,716	38.4%
Program Revenues	6,226,567	21.6%
General Tax Revenues	10,801,765	37.5%
Investment Earnings	125,815	0.4%
Other Revenues	604,716	2.1%
	\$28,823,579	100.0%



Instruction comprises 50% of governmental program expenses. Support services expenses were 39% of governmental program expenses. All other expenses including interest expense were 11%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Grants and Entitlements (General Grants) decreased in fiscal year 2010 mainly due to the District receiving less grant monies from the Ohio School Facilities Commission for building construction and school improvements. Property taxes decreased primarily due to the change in the property taxes available for advance at year end compared to prior years, (2009 tax revenues were high due to the increase in advances available between 2009 and 2008.) Instruction expense remained consistent in 2010 from 2009.

**Governmental Activities**

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

**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$14,503,141	\$14,597,923	(\$10,652,573)	(\$11,800,784)
Support Services:				
Pupil and Instructional Staff	3,062,162	2,868,195	(2,617,450)	(2,554,992)
School Administrative, General				
Administration, Fiscal and Business	3,528,698	3,508,325	(3,260,315)	(3,290,822)
Operations and Maintenance	2,182,328	2,116,377	(2,152,805)	(2,112,002)
Pupil Transportation	2,406,343	2,084,012	(2,250,110)	(1,965,145)
Central	142,791	110,259	(130,106)	(101,259)
Operation of Non-Instructional Services	1,075,481	1,104,671	74,732	(54,888)
Extracurricular Activities	832,910	637,595	(518,660)	(356,371)
Interest and Fiscal Charges	1,261,231	627,626	(1,261,231)	(627,626)
Total Expenses	<u>\$28,995,085</u>	<u>\$27,654,983</u>	<u>(\$22,768,518)</u>	<u>(\$22,863,889)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and Classroom Facilities Fund. Assets of the general fund comprised \$17,155,609 (49%) and the Classroom Facilities Fund comprised \$8,235,271 (23%) of the total \$35,149,691 governmental fund assets.

**General Fund:** Fund balance at June 30, 2010 was \$7,727,207, an increase in fund balance of \$1,130,812 from 2009. The primary reason for the increase in fund balance was a decrease in regular instruction expense due to the District's ongoing effort to cut costs.

**Classroom Facilities Fund:** Fund balance at June 30, 2010 was \$6,684,238 including \$1,414,765 of unreserved balance. The Classroom Facilities decreased fund balance was mainly due to an increase in capital outlay as the District's new buildings are being constructed.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the District amended its general fund budget when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$22,040,438, compared to original budget estimates of \$22,561,881. Of the \$521,443 difference, most was due to the estimates for taxes and intergovernmental revenue.

The General Fund's ending unobligated cash balance was \$3,630,374.

**Miami Trace Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

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**Capital Assets and Debt Administration**

*Capital Assets*

At fiscal year end, the District had \$43,451,113 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$73,840	\$73,840
Construction in Progress	11,517,118	757,774
Land Improvements	508,760	475,858
Buildings and Improvements	29,285,789	29,135,056
Equipment	<u>2,065,606</u>	<u>1,928,037</u>
Total Net Capital Assets	<u><u>\$43,451,113</u></u>	<u><u>\$32,370,565</u></u>

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

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

*Debt*

At June 30, 2010, the District had \$28,003,757 in bonds payable, \$455,000 due within one year. Table 5 summarizes bonds outstanding at year end.

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**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2010	2009
General Obligation Bonds:		
2006 Bond Issue	\$16,300,000	\$16,515,000
2008 School Improvement Bonds:		
Current Interest	9,050,000	9,350,000
Capital Appreciation - Principal	76,401	76,401
Capital Appreciation - Interest	34,832	15,785
Premium	20,019	20,760
2009 School Improvement Bonds:		
Current Interest	2,465,000	2,465,000
Capital Appreciation - Principal	34,999	34,999
Capital Appreciation - Interest	22,506	9,863
	<u>\$28,003,757</u>	<u>\$28,487,808</u>

See note 7 in the notes to the basic financial statements for further details on the District's outstanding debt.

**For the Future**

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

In June of 2006, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2007 and was eliminated in 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

District operations are funded nearly equal from the state funding system and local tax dollars. State funding changes can have a material impact on the District's financial stability. In May of 2007 the District's voters approved a five-year \$2,400,000 emergency operating levy, and the board of education re-allocated one mill of the District's inside millage for permanent improvements. It is expected that the total local tax millage and current state funding program will keep the District financially stable through fiscal year 2012. The District's five-year forecast projects a positive balance through fiscal year 2012.

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to

**Miami Trace Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

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drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model was phased in FY10 and funding being allocated based on 99% of FY 09 funding and 98% of FY 10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY 11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 1400 US 22 NW, Washington C. H., Ohio 43160 or e-mail at [miami\\_tres@mveca.org](mailto:miami_tres@mveca.org).

Miami Trace Local School District  
Statement of Net Assets  
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$19,413,475
Restricted Cash and Investments	617,254
Cash with Fiscal Agent	3,206,419
Receivables:	
Taxes	10,728,434
Accounts	1,846
Interest	700
Intergovernmental	1,172,492
Deferred Bond Issuance Costs	197,913
Inventory	8,346
Nondepreciable Capital Assets	11,590,958
Depreciable Capital Assets, Net	<u>31,860,155</u>
Total Assets	<u>78,797,992</u>
Liabilities:	
Accounts Payable	178,688
Accrued Wages and Benefits	2,953,421
Retainage Payable	182,405
Accrued Interest Payable	106,202
Contracts Payable	1,887,146
Unearned Revenue	6,857,780
Claims Payable	297,953
Long-Term Liabilities:	
Due Within One Year	673,780
Due In More Than One Year	<u>28,459,569</u>
Total Liabilities	<u>41,596,944</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	24,489,461
Restricted for:	
Debt Service	2,832,268
Capital Projects	1,618,103
Other Purposes	1,340,518
Unrestricted	<u>6,920,698</u>
Total Net Assets	<u>\$37,201,048</u>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$9,955,920	\$1,375,011	\$432,567	(\$8,148,342)
Special	2,252,113	45,335	1,368,603	(838,175)
Vocational	383,646	0	109,500	(274,146)
Other	1,911,462	0	519,552	(1,391,910)
<b>Support Services:</b>				
Pupil	1,291,468	49,766	206,003	(1,035,699)
Instructional Staff	1,770,694	35	188,908	(1,581,751)
General Administration	28,608	0	0	(28,608)
School Administration	2,337,448	0	221,675	(2,115,773)
Fiscal	1,054,944	0	46,708	(1,008,236)
Business	107,698	0	0	(107,698)
Operations and Maintenance	2,182,328	2,073	27,450	(2,152,805)
Pupil Transportation	2,406,343	0	156,233	(2,250,110)
Central	142,791	0	12,685	(130,106)
Operation of Non-Instructional Services	1,075,481	614,695	535,518	74,732
Extracurricular Activities	832,910	314,250	0	(518,660)
Interest and Fiscal Charges	1,261,231	0	0	(1,261,231)
<b>Total Governmental Activities</b>	<b>\$28,995,085</b>	<b>\$2,401,165</b>	<b>\$3,825,402</b>	<b>(22,768,518)</b>

**General Revenues:**

<b>Property Taxes Levied for:</b>	
General Purposes	8,474,605
Special Revenue Purposes	258,324
Debt Service Purposes	1,757,689
Capital Projects Purposes	311,147
Grants and Entitlements not Restricted	11,064,716
Payment in Lieu of Taxes	360,291
Unrestricted Contributions	59,204
Investment Earnings	125,815
Other Revenues	185,221
<b>Total General Revenues</b>	<b>22,597,012</b>
<b>Change in Net Assets</b>	<b>(171,506)</b>
<b>Net Assets Beginning of Year</b>	<b>37,372,554</b>
<b>Net Assets End of Year</b>	<b>\$37,201,048</b>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$3,839,500	\$7,683,654	\$7,890,321	\$19,413,475
Restricted Cash and Investments	434,849	169,533	12,872	617,254
Cash with Fiscal Agent	3,206,419	0	0	3,206,419
<b>Receivables:</b>				
Taxes	9,240,005	0	1,488,429	10,728,434
Accounts	1,430	0	416	1,846
Interest	0	700	0	700
Intergovernmental	432,681	381,384	358,427	1,172,492
Interfund	725	0	0	725
Inventory	0	0	8,346	8,346
<b>Total Assets</b>	<b>17,155,609</b>	<b>8,235,271</b>	<b>9,758,811</b>	<b>35,149,691</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	31,433	0	147,255	178,688
Accrued Wages and Benefits	2,635,644	0	317,777	2,953,421
Compensated Absences	30,022	0	0	30,022
Retainage Payable	0	169,533	12,872	182,405
Contracts Payable	0	1,089,897	797,249	1,887,146
Interfund Payable	0	0	725	725
Deferred Revenue	6,433,350	291,603	776,344	7,501,297
Claims Payable	297,953	0	0	297,953
<b>Total Liabilities</b>	<b>9,428,402</b>	<b>1,551,033</b>	<b>2,052,222</b>	<b>13,031,657</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	617,900	5,269,473	2,695,625	8,582,998
Reserved for Inventory	0	0	8,346	8,346
Reserved for Property Tax Advances	3,235,998	0	894,077	4,130,075
Reserved for Health Insurance Budget Stabilization	434,849	0	0	434,849
Unreserved, Designated for Health Insurance	3,105,860	0	0	3,105,860
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	332,600	0	0	332,600
Special Revenue Funds	0	0	1,138,533	1,138,533
Debt Service Funds	0	0	2,037,530	2,037,530
Capital Projects Funds	0	1,414,765	932,478	2,347,243
<b>Total Fund Balances</b>	<b>7,727,207</b>	<b>6,684,238</b>	<b>7,706,589</b>	<b>22,118,034</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$17,155,609</b>	<b>\$8,235,271</b>	<b>\$9,758,811</b>	<b>\$35,149,691</b>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2010

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Total Governmental Fund Balance		\$22,118,034
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.		43,451,113
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	157,750	
Interest	64	
Intergovernmental	<u>485,703</u>	
		643,517
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(106,202)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,099,570)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		197,913
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(28,003,757)</u>
Net Assets of Governmental Activities		<u><u>\$37,201,048</u></u>

See accompanying notes the the Basic Financial Statements.

Miami Trace Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$8,413,311	\$0	\$2,310,548	\$10,723,859
Payments in Lieu of Taxes	276,081	0	65,102	341,183
Tuition and Fees	1,476,793	0	0	1,476,793
Investment Earnings	6,460	112,643	33,813	152,916
Intergovernmental	11,853,010	739,403	3,102,173	15,694,586
Extracurricular Activities	3,987	0	387,018	391,005
Charges for Services	2,482	0	529,533	532,015
Other Revenues	147,784	7,496	97,987	253,267
<b>Total Revenues</b>	<b>22,179,908</b>	<b>859,542</b>	<b>6,526,174</b>	<b>29,565,624</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,366,810	0	426,743	8,793,553
Special	1,569,124	0	652,656	2,221,780
Vocational	402,856	0	0	402,856
Other	1,558,393	0	328,880	1,887,273
<b>Support Services:</b>				
Pupil	948,319	0	326,870	1,275,189
Instructional Staff	1,450,699	0	194,659	1,645,358
General Administration	28,608	0	0	28,608
School Administration	1,856,416	0	230,954	2,087,370
Fiscal	642,796	0	67,002	709,798
Business	112,511	0	0	112,511
Operations and Maintenance	1,887,453	0	75,595	1,963,048
Pupil Transportation	1,803,130	0	319,311	2,122,441
Central	114,037	0	28,754	142,791
Operation of Non-Instructional Services	0	0	1,066,100	1,066,100
Extracurricular Activities	218,742	0	313,386	532,128
Capital Outlay	473	10,888,651	2,878,734	13,767,858
<b>Debt Service:</b>				
Principal Retirement	0	0	515,000	515,000
Interest and Fiscal Charges	0	0	1,224,404	1,224,404
<b>Total Expenditures</b>	<b>20,960,367</b>	<b>10,888,651</b>	<b>8,649,048</b>	<b>40,498,066</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,219,541</b>	<b>(10,029,109)</b>	<b>(2,122,874)</b>	<b>(10,932,442)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	2,957,388	2,957,388
Transfers (Out)	(88,729)	(2,493,176)	(375,483)	(2,957,388)
<b>Total Other Financing Sources (Uses)</b>	<b>(88,729)</b>	<b>(2,493,176)</b>	<b>2,581,905</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>1,130,812</b>	<b>(12,522,285)</b>	<b>459,031</b>	<b>(10,932,442)</b>
<b>Fund Balance Beginning of Year</b>	<b>6,596,395</b>	<b>19,206,523</b>	<b>7,247,558</b>	<b>33,050,476</b>
<b>Fund Balance End of Year</b>	<b>\$7,727,207</b>	<b>\$6,684,238</b>	<b>\$7,706,589</b>	<b>\$22,118,034</b>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2010

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Net Change in Fund Balance - Total Governmental Funds (\$10,932,442)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	12,640,704	
Depreciation Expense	<u>(1,560,156)</u>	
		11,080,548

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

Delinquent Property Taxes	77,906	
Interest	(9,534)	
Intergovernmental	<u>(810,353)</u>	
		(741,981)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 515,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 1,743

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

Compensated Absences	(55,740)	
Amortization of Bond Issuance Cost	(7,685)	
Amortization of Bond Premium	741	
Bond Accretion	<u>(31,690)</u>	
		(94,374)

Change in Net Assets of Governmental Activities (\$171,506)

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$461,436	\$75,058
Receivables:		
Accounts	<u>          0</u>	<u>          577</u>
Total Assets	<u>          461,436</u>	<u>          75,635</u>
Liabilities:		
Accounts Payable	0	191
Other Liabilities	<u>          0</u>	<u>          75,444</u>
Total Liabilities	<u>          0</u>	<u>          \$75,635</u>
Net Assets:		
Held in Trust	<u>          461,436</u>	
Total Net Assets	<u>          \$461,436</u>	

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2010

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	Private Purpose Trust
Additions:	
Donations	\$34,186
Investment Earnings	507
Total Additions	<u>34,693</u>
Deductions:	
Scholarships	<u>36,101</u>
Total Deductions	<u>36,101</u>
Change in Net Assets	(1,408)
Net Assets Beginning of Year	<u>462,844</u>
Net Assets End of Year	<u><u>\$461,436</u></u>

See accompanying notes to the Basic Financial Statements.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Note 1 - Description of the District**

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

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The school district's geographical size ranks among the top five in Ohio. At the present time, approximately 2,490 students attend one elementary school, one middle school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the district's instructional and support facilities staffed by 123 non-certificated personnel and 193 certificated teaching and administrative personnel to provide services to students and other community members.

**Reporting Entity**

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

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

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

MVECA  
Hopewell  
South Central Ohio Insurance Consortium  
Great Oaks Institute of Technology and Career Development

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Note 2 - Summary of Significant Accounting Policies**

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The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

**Measurement Focus**

**Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Fund Accounting**

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

**Governmental Funds**

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

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

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

**Fiduciary Funds**

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

Unearned Revenue

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

Expenses/Expenditures

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

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

**Equity In Pooled Cash Investments**

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

The District participates in a self funded health insurance program that pays employees health insurance claims on the District’s behalf. The balance of the District’s funds held by the claims administrator and the fiscal agent at June 30, 2010 is presented as “Cash with Fiscal Agent” on the balance sheet.

Monies for all funds were maintained in various bank accounts or were temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds and those funds individually authorized by board resolution.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2010. 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 Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2010.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2010 amounted to \$6,460 for the General Fund, \$112,643 for the Classroom Facilities Fund, and \$33,813 for Other Governmental Funds.

**Inventory**

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

**Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-25 years
Buildings and Improvements	20-40 years
Equipment	3-15 years

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation for Retirement Payout	Not Eligible	3 years accrual	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	214 days	Per Contract Days	214 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$5,790,899 in restricted net assets, none were restricted by enabling legislation.

**Interfund Activity**

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

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

**Fund Equity**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, property tax advances and health insurance budget stabilization. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

**Restricted Assets**

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stabilization for health and prescription drug benefits for the District. Restricted assets in the Classroom Facilities Fund and Other Governmental Funds represent equity in pooled cash and investments set aside to establish retainage accounts for continuing improvements (construction projects) throughout the District.

**Estimates**

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

**Note 3 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

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

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

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

**Miami Trace Local School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2010**

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2010, \$868,310 of the District's bank balance of \$4,360,776 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District participates in a self funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2010 was \$3,206,419 (presented as "Cash with Fiscal Agent" on the balance sheet).

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

**Investments**

As of June 30, 2010, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	\$16,259,251	0.15

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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statistical rating organizations. Investments in STAROhio were rated AAAM by Standards & Poor's.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 100% of the District's investments in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Note 4 - Property Taxes**

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

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. 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 School District prior to June 30.

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. Tangible personal property taxes paid 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. The District receives property taxes from Hamilton 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, 2010, are

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$3,235,998 in the General Fund and \$894,077 in Other Governmental Funds.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$338,027,410
Public Utility Personal	26,431,310
Tangible Personal Property	<u>1,159,470</u>
Total	<u><u>\$365,618,190</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2010, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$73,840	\$0	\$0	\$73,840
Construction in Progress	757,774	11,876,697	1,117,353	11,517,118
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,031,271	86,773	0	1,118,044
Buildings and Improvements	33,338,646	1,274,862	0	34,613,508
Equipment	5,316,409	519,725	0	5,836,134
Totals at Historical Cost	<u>40,517,940</u>	<u>13,758,057</u>	<u>1,117,353</u>	<u>53,158,644</u>
Less Accumulated Depreciation:				
Land Improvements	555,413	53,871	0	609,284
Buildings and Improvements	4,203,590	1,124,129	0	5,327,719
Equipment	3,388,372	382,156	0	3,770,528
Total Accumulated Depreciation	<u>8,147,375</u>	<u>1,560,156</u>	<u>0</u>	<u>9,707,531</u>
Governmental Activities Capital Assets, Net	<u>\$32,370,565</u>	<u>\$12,197,901</u>	<u>\$1,117,353</u>	<u>\$43,451,113</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,114,327
Special	2,527
Vocational	1,384
Support Services:	
Pupil	11,203
Instructional Staff	11,371
School Administration	17,841
Operations and Maintenance	122,771
Pupil Transportation	229,349
Operation of Non-Instructional Services	7,856
Extracurricular Activities	41,527
Total Depreciation Expense	<u>\$1,560,156</u>

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

**Note 7 - Long-Term Liabilities**

	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2033	\$16,515,000	\$0	\$215,000	\$16,300,000	\$265,000
2008 School Improvement Bonds:						
Current Interest - 4.00-5.25%	12/01/2036	9,350,000	0	300,000	9,050,000	185,000
Principal - 4.00-5.25%	*	76,401	0	0	76,401	0
Capital Appreciation		15,785	19,047	0	34,832	0
Premium		20,760	0	741	20,019	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	2,465,000	0	0	2,465,000	5,000
Principal - 4.00-5.25%	*	34,999	0	0	34,999	0
Capital Appreciation		9,863	12,643	0	22,506	0
Total Long Term Debt		28,487,808	31,690	515,741	28,003,757	455,000
Compensated Absences		1,079,792	270,347	220,547	1,129,592	218,780
Total Governmental Activities						
Long Term Liabilities		<u>\$29,567,600</u>	<u>\$302,037</u>	<u>\$736,288</u>	<u>\$29,133,349</u>	<u>\$673,780</u>

\* - Bonds mature on 12/01/2016, 12/01/2017 and 12/01/2018

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Bonds were issued for the purpose of paying the District's local share of the building construction and improvements under the State of Ohio Classroom Facilities Assistance Program.

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

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$455,000	\$1,270,991	\$1,725,991	\$0	\$0	\$0
2012	480,000	1,255,662	1,735,662	0	0	0
2013	515,000	1,230,941	1,745,941	0	0	0
2014	605,000	1,206,772	1,811,772	0	0	0
2015	635,000	1,178,312	1,813,312	0	0	0
2016-2020	3,410,000	5,463,207	8,873,207	111,400	663,600	775,000
2021-2025	5,595,000	4,517,432	10,112,432	0	0	0
2026-2030	7,470,000	3,083,376	10,553,376	0	0	0
2031-2035	7,430,000	1,191,873	8,621,873	0	0	0
2036-2037	1,220,000	64,837	1,284,837	0	0	0
Total	<u>\$27,815,000</u>	<u>\$20,463,403</u>	<u>\$48,278,403</u>	<u>\$111,400</u>	<u>\$663,600</u>	<u>\$775,000</u>

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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**Note 8 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$457,332, \$469,680, and \$453,828, respectively; 51% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

Combined Plan Benefits

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

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$1,484,316 \$1,564,272, and \$1,544,748, respectively; 84% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**Note 9 - Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2010, 2009 and 2008 were \$24,827, \$25,161 and \$21,897 respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46%. 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 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$15,027, \$139,562, and \$138,678, respectively; 51% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

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.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2010, 2009 and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$106,023, \$111,734, and \$110,339, respectively; 84% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008.

**Note 10 - Contingent Liabilities**

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**Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2010.

**Note 11 - Jointly Governed Organizations**

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The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium a-site used by the district. MVECA is an association of 24 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA \$71,060 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

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

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The District has neither ongoing

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 12 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the precast of various types of liability, inland marine, and property insurance as a member of a school district risk-sharing pool (SORSA).

General liability insurance is maintained in the amount of \$11,000,000 for each occurrence and \$13,000,000 in the general aggregate. Other liability insurance includes \$11,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$60,064,596.

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

As a benefit for employees of the Miami Trace Local School District, the District makes available health, dental, and term life insurance for all qualifying employees who desire coverage. The District pays for a portion of the health and dental insurances. The District pays 100% of the term life insurance. The District pays 100% of single dental. The employee is responsible for the difference between a single and family plan. The District pays 100% of both single and family hospitalization for employees hired before September 1992 and 85% for employees hired after September 1992. The balance remaining on all employees' benefits are deducted through payroll.

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation to service the claims up to \$500,000 per individual. The District also had a stop loss coverage insurance policy through OME-RESA which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with OME-RESA which covered individual claims in excess of \$50,000 up to \$500,000 per employee per year for medical claims.

The claims liability of \$297,953 reported in the general fund at June 30, 2010 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Balance
2009	\$337,485	\$3,253,129	(\$3,268,021)	\$322,593
2010	322,593	3,132,544	(3,157,184)	297,953

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

**Note 13 – Accountability**

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

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Title I	\$24,648
Improving Teacher Quality	6,296
Education Stabilization	11,266

**Note 14 - Fund Balance Reserves for Set-Asides**

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The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2010, the reserve activity (cash-basis) was as follows:

	<u>Textbooks Reserve</u>	<u>Capital Maintenance Reserve</u>
Balance as of June 30, 2009	\$0	\$0
Amount from Prior Years which Exceeded Required Set-Aside	(3,826,007)	N/A
Required Set-Aside	416,327	416,327
Qualifying Expenditures	(256,539)	(438,946)
Offset Credits	0	(737,310)
Balance as of June 30, 2010	<u>(\$3,666,219)</u>	<u>(\$759,929)</u>
Carried Forward to FY 2011	<u>(\$3,666,219)</u>	

Expenditures for textbook and instructional material activities during the year totaled \$256,539. This amount reduces the excess amount of \$3,826,007 from fiscal year 2009, and it may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.

**Miami Trace Local School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2010**

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Expenditures for capital activity during the year totaled \$438,946, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years. The district's current year offsets were from a permanent improvement levy authorized by Section 5705.21 of the O.R.C. to the extent the proceeds are restricted by the district's Board to expenditure for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements (\$348,565), proceeds received from the sale of a permanent improvement to the extent the proceeds are paid into a separate fund for the construction or acquisition of permanent improvements (\$38,422), and proceeds received from a tax levy authorized by Section 3318.06 of the O.R.C. to the extent the proceeds are available to be used for the maintenance of capital (classroom) facilities (\$350,323).

**Note 15 - Interfund Transactions**

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Interfund transactions at June 30, 2010, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	\$725	\$0	\$0	\$88,729
Classroom Facilities Fund	0	0	0	2,493,176
Other Governmental Funds	0	725	2,957,388	375,483
	<u>\$725</u>	<u>\$725</u>	<u>\$2,957,388</u>	<u>\$2,957,388</u>

Interfund receivables/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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Miami Trace Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,358,113	\$8,308,060	\$8,297,928	(\$10,132)
Tuition and Fees	1,487,063	1,478,158	1,476,355	(1,803)
Investment Earnings	6,507	6,468	6,460	(8)
Intergovernmental	11,939,500	11,868,001	11,853,527	(14,474)
Extracurricular Activities	4,016	3,992	3,987	(5)
Charges for Services	3,217,580	3,198,312	3,194,411	(3,901)
Other Revenues	387,815	385,492	385,022	(470)
Total Revenues	<u>25,400,594</u>	<u>25,248,483</u>	<u>25,217,690</u>	<u>(30,793)</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,235,753	12,398,382	12,175,637	222,745
Special	1,698,273	1,720,845	1,689,929	30,916
Vocational	442,982	448,870	440,806	8,064
Other	1,582,496	1,603,529	1,574,721	28,808
Support Services:				
Pupil	993,667	1,006,874	988,785	18,089
Instructional Staff	1,564,406	1,585,199	1,556,720	28,479
General Administration	26,443	26,794	26,313	481
School Administration	2,022,218	2,049,096	2,012,283	36,813
Fiscal	658,251	667,000	655,017	11,983
Business	114,980	116,508	114,415	2,093
Operations and Maintenance	2,139,472	2,167,909	2,128,961	38,948
Pupil Transportation	1,944,916	1,970,766	1,935,360	35,406
Central	116,065	117,608	115,495	2,113
Extracurricular Activities	221,763	224,710	220,673	4,037
Capital Outlay	27,824	28,194	27,687	507
Total Expenditures	<u>25,789,509</u>	<u>26,132,284</u>	<u>25,662,802</u>	<u>469,482</u>
Excess of Revenues Over (Under) Expenditures	<u>(388,915)</u>	<u>(883,801)</u>	<u>(445,112)</u>	<u>438,689</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	38,803	38,571	38,524	(47)
Transfers (Out)	(89,167)	(90,352)	(88,729)	1,623
Total Other Financing Sources (Uses)	<u>(50,364)</u>	<u>(51,781)</u>	<u>(50,205)</u>	<u>1,576</u>
Net Change in Fund Balance	(439,279)	(935,582)	(495,317)	440,265
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>4,125,691</u>	<u>4,125,691</u>	<u>4,125,691</u>	<u>0</u>
Fund Balance End of Year	<u>\$3,686,412</u>	<u>\$3,190,109</u>	<u>\$3,630,374</u>	<u>\$440,265</u>

See accompanying notes to the Required Supplementary Information.

**Miami Trace Local School District**  
**Notes to the Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2010**

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**Note 1 – Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2010.

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

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

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

**Miami Trace Local School District**  
**Notes to the Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2010**

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,130,812
Revenue Accruals	(115,623)
Expenditure Accruals	(866,873)
Encumbrances	<u>(643,633)</u>
Budget Basis	<u><u>(\$495,317)</u></u>

Miami Trace Local School District  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 45,741	45,741
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2010	10.553	107,187	107,187
National School Lunch Program	LLP4-2010	10.555	<u>340,453</u>	<u>340,453</u>
<i>Cash Assistance Subtotal</i>			<u>447,640</u>	<u>447,640</u>
Nutrition Cluster Total			<u>493,381</u>	<u>493,381</u>
Total U.S. Department of Agriculture			<u>493,381</u>	<u>493,381</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2009	84.010	59,571	70,604
Title I Grants to Local Educational Agencies	C1S1-2010	84.010	392,482	391,044
ARRA - Title I Grants to Local Educational Agencies	n/a	84.389	<u>124,239</u>	<u>118,671</u>
			<u>576,292</u>	<u>580,319</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2009	84.027	63,295	73,312
Special Education - Grants to States	6BSF-2010	84.027	538,290	517,898
ARRA - Special Education - Grants to States	n/a	84.391	223,846	228,390
Special Education - Preschool Grants	PGS1-2009	84.173	11,053	10,856
Special Education - Preschool Grants	PGS1-2010	84.173	-	17
ARRA - Special Education - Preschool Grants	n/a	84.392	<u>4,302</u>	<u>2,652</u>
			<u>840,786</u>	<u>833,125</u>
Safe and Drug-Free Schools and Communities	DRS1-2010	84.186	<u>8,999</u>	<u>9,640</u>
Education Technology State Grants	TJS1-2010	84.318	<u>4,324</u>	<u>4,496</u>
English Language Acquisition Grants	T3S1-2009	84.365	<u>-</u>	<u>668</u>
Improving Teacher Quality State Grants	TRS1-2009	84.367	7,669	10,604
Improving Teacher Quality State Grants	TRS1-2010	84.367	<u>83,184</u>	<u>85,974</u>
			<u>90,853</u>	<u>96,578</u>
ARRA - Education Stabilization Fund	n/a	84.394	<u>631,731</u>	<u>506,411</u>
Total U.S. Department of Education			<u>2,152,985</u>	<u>2,031,237</u>
Total Federal Awards			\$ <u>2,646,366</u>	<u>2,524,618</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NUTRITION CLUSTER

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Miami Trace Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District (the "School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider the deficiency labeled as 2010-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 17, 2010.

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

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 17, 2010

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

To the Board of Education  
Miami Trace Local School District:

Compliance

We have audited Miami Trace Local School District's (the "School District's") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance labeled as item 2010-2 and described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 17, 2010

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	yes
Identification of major programs:	

*Title I, Part A Cluster:*

*CFDA 84.010 – Title I Grants to Local Educational Agencies*

*CFDA 84.389 – Title I Grants to Local Educational Agencies – ARRA*

*Special Education Cluster:*

*CFDA 84.027 – Special Education Grants to States*

*CFDA 84.391 – Special Education Grants to States – ARRA*

*CFDA 84.173 – Special Education Preschool Grants*

*CFDA 84.392 – Special Education Preschool Grants – ARRA*

*CFDA 84.394 – State Fiscal Stabilization Fund – Education State Grants – ARRA*

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

## Section II - Financial Statement Findings

### 2010-1 Audit Adjustments

*Condition:* During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the School District's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District's financial statements did not operate as designed and we consider this a significant deficiency.

Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct an error in the School District's conversion process related to the accrual of property taxes receivable. The School District understated its taxes receivable by approximately \$2.9 million. This adjustment consisted of two different components. The first, which approximated \$2 million, was due to using the property tax amount from the original certificate of estimated resources for fiscal year 2011 which improperly excluded the taxes due from an emergency levy. The remainder of the adjustment was due to an increase in expected collections provided by the County Auditor in October 2010 related to pipelines within the School District which was not considered when preparing the financial statements.

We recommend the School District enhance its internal controls over financial reporting with steps such as management analysis of the financials compared to prior years and improved communication with its hired consultant to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

*Management response:* Management concurs with the findings.

## Section III – Federal Award Findings and Questioned Costs

### DEPARTMENT OF EDUCATION

#### 2010-2 Special Education Cluster - CFDA No's. 84.027, 84.391, 84.173, and 84.392

*Condition:* We performed tests to determine if the School District was properly preparing semi-annual certifications for employees that work solely on a specific federal program to support salaries and wages. We noted these certifications were not being prepared on a semi-annual basis.

*Criteria:* OMB Circular A-87, Attachment B states that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages are to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and will be signed by the employee and supervisor or just the supervisor, if they have firsthand knowledge of the information contained in the certification.

*Effect:* Lack of proper documentation could result in disallowed costs for the School District's federal programs.

*Cause:* The School District lacked procedures to ensure the proper completion of certifications on a semi-annual basis.

*Recommendation:* We recommend the School District implement procedures to ensure these semi-annual certificates are prepared and reviewed for completeness prior to being filed to comply with federal regulations.

*Management response:* Management concurs with the finding.

Miami Trace Local School District  
Schedule of Prior Audit Findings  
Year Ended June 30, 2010

**2009-1 – Audit Adjustment**

*Prior Year Condition:* During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the School District's internal control. Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. An audit adjustment was necessary to record an intergovernmental receivable of \$1,055,937 on the financial statements. The School District signed a funding agreement with Ohio School Facility Commission (OSFC) during the current fiscal year for construction of a new middle school. The School District has met all eligibility requirements to record this grant so the audit adjustment was to record the portion of the OSFC grant which has not been received as of June 30, 2009.

*Status:* While this specific issue was corrected, a significant audit adjustment was noted during the course of the current audit and is reported as finding 2010-1.

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# Dave Yost • Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 15, 2011