



MIAMI TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2011

With Independent Auditors' Report

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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, 2011, 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, 2011, 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.

As described in Note 16, during the year ended June 30, 2011, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, 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 11 and 47 through 49, 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, Hachett & Co.

Cincinnati, Ohio
December 19, 2011

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The discussion and analysis of Miami Trace Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- Net assets of governmental activities increased \$3,348,050 which represents a 9% increase from 2010.
- General revenues accounted for \$25,186,054 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,706,285 or 21% of total revenues of \$31,892,339.
- The District had \$28,544,289 in expenses related to governmental activities; \$6,706,285 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$25,186,054 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, Debt Service 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 2011?" 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
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

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.

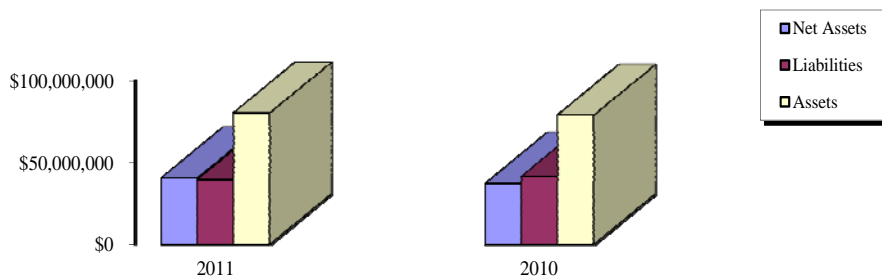
**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

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 2011 compared to fiscal year 2010:

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$29,541,585	\$35,346,879
Capital Assets	50,534,676	43,451,113
Total Assets	80,076,261	78,797,992
Liabilities:		
Other Liabilities	10,777,608	12,463,595
Long-Term Liabilities	28,749,555	29,133,349
Total Liabilities	39,527,163	41,596,944
Net Assets:		
Invested in Capital Assets, Net of Related Debt	23,748,828	24,489,461
Restricted	6,923,821	5,790,889
Unrestricted	9,876,449	6,920,698
Total Net Assets	\$40,549,098	\$37,201,048



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$40,549,098.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

At year-end, capital assets represented 63% 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, 2011, was \$23,748,828. 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, \$6,923,821, 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.

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**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$2,138,213	\$2,401,165
Operating Grants, Contributions	4,568,072	3,825,402
General Revenues:		
Property Taxes	13,775,649	10,801,765
Grants and Entitlements	10,692,098	11,064,716
Other	718,307	730,531
Total Revenues	<u>31,892,339</u>	<u>28,823,579</u>
Program Expenses:		
Instruction	14,573,229	14,503,141
Support Services:		
Pupil and Instructional Staff	2,876,316	3,062,162
School Administrative, General Administration, Fiscal and Business	3,240,430	3,528,698
Operations and Maintenance	2,633,443	2,182,328
Pupil Transportation	2,234,827	2,406,343
Central	130,784	142,791
Operation of Non-Instructional Services	1,040,781	1,075,481
Extracurricular Activities	504,509	832,910
Interest and Fiscal Charges	1,309,970	1,261,231
Total Program Expenses	<u>28,544,289</u>	<u>28,995,085</u>
Change in Net Assets	3,348,050	(171,506)
Net Assets Beginning of Year	<u>37,201,048</u>	<u>37,372,554</u>
Net Assets End of Year	<u>\$40,549,098</u>	<u>\$37,201,048</u>

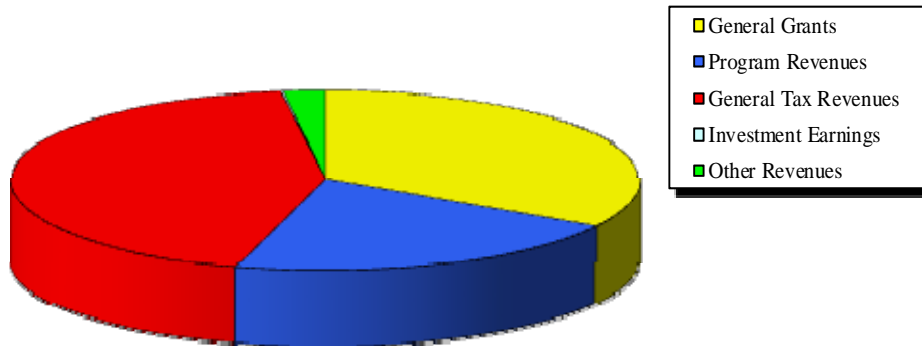
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service purposes, and capital projects purposes and grants and entitlements comprised 76% of the District's revenues for governmental activities.

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, 2011
(Unaudited)**

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 43% of revenue for governmental activities for the District in fiscal year 2011.

	2011	Percentage
General Grants	\$10,692,098	33.53%
Program Revenues	6,706,285	21.03%
General Tax Revenues	13,775,649	43.19%
Investment Earnings	41,173	0.13%
Other Revenues	677,134	2.12%
	<u>\$31,892,339</u>	<u>100.00%</u>



Instruction comprises 51% of governmental program expenses. Support services expenses were 39% of governmental program expenses. All other expenses including interest expense were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Grants and Entitlements (General Grants) decreased in fiscal year 2011 mainly due to the District receiving less grant monies from the Ohio School Facilities Commission for building construction and school improvements. Property taxes increased primarily due to the increase in the property taxes available for advance at year end compared to prior years and an increased valuation related to Rocking Express Pipeline. Instruction expense increased slightly in 2011 due to general inflationary factors.

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, 2011
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$14,573,229	\$14,503,141	(\$10,586,650)	(\$10,652,573)
Support Services:				
Pupil and Instructional Staff	2,876,316	3,062,162	(2,192,547)	(2,617,450)
School Administrative, General				
Administration, Fiscal and Business	3,240,430	3,528,698	(2,986,571)	(3,260,315)
Operations and Maintenance	2,633,443	2,182,328	(2,568,245)	(2,152,805)
Pupil Transportation	2,234,827	2,406,343	(1,942,409)	(2,250,110)
Central	130,784	142,791	(71,974)	(130,106)
Operation of Non-Instructional Services	1,040,781	1,075,481	(34,952)	74,732
Extracurricular Activities	504,509	832,910	(144,686)	(518,660)
Interest and Fiscal Charges	1,309,970	1,261,231	(1,309,970)	(1,261,231)
Total Expenses	<u>\$28,544,289</u>	<u>\$28,995,085</u>	<u>(\$21,838,004)</u>	<u>(\$22,768,518)</u>

The District's Funds

The District has three major governmental funds: the General Fund, Debt Service Fund and Classroom Facilities Fund. Assets of the major funds comprised \$25,076,676 (85%) of the total \$29,377,198 governmental fund assets.

General Fund: Fund balance at June 30, 2011 was \$10,791,268, an increase in fund balance of \$3,016,140 from 2010. The primary reason for the increase in fund balance was an increase in taxes revenue due to the increase in property taxes advances available at the end of the fiscal year.

Debt Service Fund: Fund balance at June 30, 2011 was \$3,484,048, an increase in fund balance of \$769,356. The primary reason for the increase in fund balance was an increase in taxes revenue due to the increase in property taxes advances available at the end of the fiscal year.

Classroom Facilities Fund: Fund balance at June 30, 2011 was \$487,990 a decrease of \$6,196,248. The Classroom Facilities decreased fund balance was mainly due to the completion of the District's new buildings.

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 2011, 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.

**Miami Trace Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

For the General Fund, final budget basis revenue was \$22,898,147, compared to original budget estimates of \$19,364,596. Of the \$3,533,551 difference, most was due to the estimates for taxes and intergovernmental revenue.

The General Fund’s ending unobligated cash balance was \$3,931,563.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$50,534,676 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$73,840	\$73,840
Construction in Progress	17,049	11,517,118
Land Improvements	565,940	508,760
Buildings and Improvements	48,077,766	29,285,789
Equipment	<u>1,800,081</u>	<u>2,065,606</u>
Total Net Capital Assets	<u><u>\$50,534,676</u></u>	<u><u>\$43,451,113</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, 2011, the District had \$27,587,206 in bonds payable, \$480,000 due within one year. Table 5 summarizes bonds outstanding at year end.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2011	2010
General Obligation Bonds:		
2006 Bond Issue	\$16,035,000	\$16,300,000
2008 School Improvement Bonds:		
Current Interest	8,865,000	9,050,000
Capital Appreciation - Principal	76,401	76,401
Capital Appreciation - Interest	57,815	34,832
Premium	19,278	20,019
2009 School Improvement Bonds:		
Current Interest	2,460,000	2,465,000
Capital Appreciation - Principal	34,999	34,999
Capital Appreciation - Interest	38,713	22,506
	<u>\$27,587,206</u>	<u>\$28,003,757</u>

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

For the Future

District operations are funded nearly equal from local tax dollars and the state funding system. Both revenue sources are experiencing changes.

The District's five-year \$2,400,000 emergency operating levy will expire at the end of calendar year 2011, with revenue collection expiring at the end of 2012. Based on the District's most recent five-year forecast, it is expected that the board of education will either place a levy on the ballot, make operational adjustments or a combination of both.

During fiscal years 2009 and 2010, the District received state funding through the Ohio Evidence-Based Model (OEBM). Beginning July 1, 2011, this funding system ceased and was replaced with a temporary transitional "bridge" formula until a new funding formula is adopted. It is the state administration's goal to have a new funding formula beginning fiscal year 2013 or fiscal year 2014.

The District has committed itself to financial excellence. With careful planning and monitoring of the District's finances and state and local financial support, management is confident that the District can continue to provide a quality education for its 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, 3818 SR 41 NW, Washington C. H., Ohio 43160 or e-mail at dblack@mveca.org.

Miami Trace Local School District
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$11,169,122
Restricted Cash and Investments	735,757
Cash with Fiscal Agent	3,355,063
Receivables:	
Taxes	12,591,255
Accounts	4,503
Intergovernmental	1,487,023
Deferred Bond Issuance Costs	190,228
Inventory	8,634
Nondepreciable Capital Assets	90,889
Depreciable Capital Assets, Net	<u>50,443,787</u>
 Total Assets	 <u>80,076,261</u>
Liabilities:	
Accounts Payable	43,513
Accrued Wages and Benefits	2,441,390
Retainage Payable	300,416
Accrued Interest Payable	104,679
Contracts Payable	260,860
Unearned Revenue	7,245,351
Claims Payable	381,399
Long-Term Liabilities:	
Due Within One Year	777,614
Due In More Than One Year	<u>27,971,941</u>
 Total Liabilities	 <u>39,527,163</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	23,748,828
Restricted for:	
Debt Service	3,615,151
Capital Projects	764,057
Classroom Facilities Maintenance	1,557,479
Federal Grants	697,237
Other Purposes	289,897
Unrestricted	<u>9,876,449</u>
 Total Net Assets	 <u><u>\$40,549,098</u></u>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$10,086,543	\$1,162,208	\$938,498	(\$7,985,837)
Special	2,319,309	76,084	1,389,338	(853,887)
Vocational	203,107	0	110,321	(92,786)
Other	1,964,270	0	310,130	(1,654,140)
Support Services:				
Pupil	1,305,235	0	447,208	(858,027)
Instructional Staff	1,571,081	0	236,561	(1,334,520)
General Administration	31,959	0	0	(31,959)
School Administration	2,336,738	0	249,111	(2,087,627)
Fiscal	764,059	0	4,748	(759,311)
Business	107,674	0	0	(107,674)
Operations and Maintenance	2,633,443	3,460	61,738	(2,568,245)
Pupil Transportation	2,234,827	28,262	264,156	(1,942,409)
Central	130,784	0	58,810	(71,974)
Operation of Non-Instructional Services	1,040,781	508,376	497,453	(34,952)
Extracurricular Activities	504,509	359,823	0	(144,686)
Interest and Fiscal Charges	1,309,970	0	0	(1,309,970)
Total Governmental Activities	\$28,544,289	\$2,138,213	\$4,568,072	(21,838,004)
General Revenues:				
Property Taxes Levied for:				
				10,813,259
				336,496
				2,231,023
				394,871
				10,692,098
				504,235
				16,652
				41,173
				156,247
				25,186,054
				3,348,050
				37,201,048
				\$40,549,098

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$5,323,154	\$2,584,499	\$727,541	\$2,533,928	\$11,169,122
Restricted Cash and Investments	435,341	0	247,064	53,352	735,757
Cash with Fiscal Agent	3,355,063	0	0	0	3,355,063
Receivables:					
Taxes	9,888,307	2,034,501	0	668,447	12,591,255
Accounts	3,712	0	0	791	4,503
Intergovernmental	440,750	0	10,903	1,035,370	1,487,023
Interfund	25,841	0	0	0	25,841
Inventory	0	0	0	8,634	8,634
Total Assets	19,472,168	4,619,000	985,508	4,300,522	29,377,198
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	32,391	0	0	11,122	43,513
Accrued Wages and Benefits	2,177,758	0	0	263,632	2,441,390
Compensated Absences	59,947	0	0	0	59,947
Retainage Payable	0	0	247,064	53,352	300,416
Contracts Payable	0	0	244,890	15,970	260,860
Interfund Payable	0	0	0	25,841	25,841
Deferred Revenue	6,029,405	1,134,952	5,564	1,051,330	8,221,251
Claims Payable	381,399	0	0	0	381,399
Total Liabilities	8,680,900	1,134,952	497,518	1,421,247	11,734,617
Fund Balances:					
Nonspendable	0	0	0	8,634	8,634
Restricted	0	3,484,048	487,990	2,870,641	6,842,679
Committed	435,341	0	0	0	435,341
Assigned	3,879,455	0	0	0	3,879,455
Unassigned	6,476,472	0	0	0	6,476,472
Total Fund Balances	10,791,268	3,484,048	487,990	2,879,275	17,642,581
Total Liabilities and Fund Balances	\$19,472,168	\$4,619,000	\$985,508	\$4,300,522	\$29,377,198

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, 2011

Total Governmental Fund Balance		\$17,642,581
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.		50,534,676
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	784,947	
Intergovernmental	<u>190,953</u>	
		975,900
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.		(104,679)
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		(1,102,402)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		190,228
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(27,587,206)</u>
Net Assets of Governmental Activities		<u><u>\$40,549,098</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, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$10,719,165	\$2,211,334	\$0	\$725,061	\$13,655,560
Payments in Lieu of Taxes	393,523	89,837	0	0	483,360
Tuition and Fees	1,285,990	0	0	0	1,285,990
Investment Earnings	14,559	5,656	7,439	13,583	41,237
Intergovernmental	11,390,745	242,455	285,976	3,149,091	15,068,267
Extracurricular Activities	123,640	0	0	216,748	340,388
Charges for Services	1,132	0	0	507,244	508,376
Other Revenues	87,827	0	0	47,915	135,742
Total Revenues	24,016,581	2,549,282	293,415	4,659,642	31,518,920
Expenditures:					
Current:					
Instruction:					
Regular	8,237,434	0	0	313,231	8,550,665
Special	1,604,988	0	0	709,509	2,314,497
Vocational	168,873	0	0	0	168,873
Other	1,776,705	0	0	211,754	1,988,459
Support Services:					
Pupil	829,742	0	0	327,758	1,157,500
Instructional Staff	1,428,806	0	0	198,551	1,627,357
General Administration	31,959	0	0	0	31,959
School Administration	1,972,503	0	0	233,323	2,205,826
Fiscal	656,732	59,567	0	20,141	736,440
Business	103,561	0	0	0	103,561
Operations and Maintenance	2,106,762	0	0	67,036	2,173,798
Pupil Transportation	1,710,356	0	0	253,308	1,963,664
Central	64,476	0	0	66,308	130,784
Operation of Non-Instructional Services	80,734	0	0	953,316	1,034,050
Extracurricular Activities	255,284	0	0	221,597	476,881
Capital Outlay	11,418	0	6,489,663	3,149,655	9,650,736
Debt Service:					
Principal Retirement	0	455,000	0	0	455,000
Interest and Fiscal Charges	0	1,265,359	0	0	1,265,359
Total Expenditures	21,040,333	1,779,926	6,489,663	6,725,487	36,035,409
Excess of Revenues Over (Under) Expenditures	2,976,248	769,356	(6,196,248)	(2,065,845)	(4,516,489)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	39,892	0	0	1,144	41,036
Total Other Financing Sources (Uses)	39,892	0	0	1,144	41,036
Net Change in Fund Balance	3,016,140	769,356	(6,196,248)	(2,064,701)	(4,475,453)
Fund Balance Beginning of Year, Restated	7,775,128	2,714,692	6,684,238	4,943,976	22,118,034
Fund Balance End of Year	\$10,791,268	\$3,484,048	\$487,990	\$2,879,275	\$17,642,581

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, 2011

Net Change in Fund Balance - Total Governmental Funds (\$4,475,453)

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	9,116,041	
Depreciation Expense	(2,032,478)	
		7,083,563

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

Delinquent Property Taxes	627,197	
Interest	(64)	
Intergovernmental	(294,750)	
		332,383

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 455,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 1,523

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	(2,832)	
Amortization of Bond Issuance Cost	(7,685)	
Amortization of Bond Premium	741	
Bond Accretion	(39,190)	
		(48,966)

Change in Net Assets of Governmental Activities \$3,348,050

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$426,842	\$75,571
Receivables:		
Accounts	<u> 0</u>	<u> 788</u>
Total Assets	<u> 426,842</u>	<u> 76,359</u>
Liabilities:		
Accounts Payable	1,000	2,170
Other Liabilities	<u> 0</u>	<u> 74,189</u>
Total Liabilities	<u> 1,000</u>	<u> \$76,359</u>
Net Assets:		
Held in Trust	<u> 425,842</u>	
Total Net Assets	<u> \$425,842</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, 2011

	Private Purpose Trust
Additions:	
Donations	\$32,155
Investment Earnings	506
Other	2,233
Total Additions	<u>34,894</u>
Deductions:	
Scholarships	<u>70,488</u>
Total Deductions	<u>70,488</u>
Change in Net Assets	(35,594)
Net Assets Beginning of Year	<u>461,436</u>
Net Assets End of Year	<u><u>\$425,842</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, 2011

Note 1 - Description of the District

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

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The District's geographical size ranks among the top five in Ohio. At the present time, approximately 2,495 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 124 non-certificated personnel and 188 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, 2011

Note 2 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2011

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.

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

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

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, 2011 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 2011. 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, 2011.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2011 amounted to \$14,559 for the General Fund, \$5,656 for the Debt Service Fund, \$7,439 for the Classroom Facilities Fund, and \$13,583 for Other Governmental Funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/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, 2011

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	229 days	Per Contract Days	219 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 \$6,923,821 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, 2011

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 Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$7,835,846 of the District's bank balance of \$8,085,846 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, 2011 was \$3,355,063 (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.

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011**

Investments

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	\$4,094,212	0.16

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

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standards & Poor’s.

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

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 2011 (other than public utility property tax) represents the collection of 2011 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 Fayette 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, 2011, are 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, 2011. 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 current fiscal year operations of \$4,298,736 in the General Fund, \$899,549 in the Debt Service Fund and \$288,121 in Other Governmental Funds.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$340,232,420
Public Utility Personal	<u>77,210,270</u>
Total	<u><u>\$417,442,690</u></u>

Note 5 – Receivables

Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), 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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$73,840	\$0	\$0	\$73,840
Construction in Progress	11,517,118	8,906,220	20,406,289	17,049
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,118,044	128,687	76,146	1,170,585
Buildings and Improvements	34,613,508	20,348,303	351,434	54,610,377
Equipment	5,836,134	139,120	194,357	5,780,897
Totals at Historical Cost	<u>53,158,644</u>	<u>29,522,330</u>	<u>21,028,226</u>	<u>61,652,748</u>
Less Accumulated Depreciation:				
Land Improvements	609,284	71,507	76,146	604,645
Buildings and Improvements	5,327,719	1,556,326	351,434	6,532,611
Equipment	3,770,528	404,645	194,357	3,980,816
Total Accumulated Depreciation	<u>9,707,531</u>	<u>2,032,478</u>	<u>621,937</u>	<u>11,118,072</u>
Governmental Activities Capital Assets, Net	<u>\$43,451,113</u>	<u>\$27,489,852</u>	<u>\$20,406,289</u>	<u>\$50,534,676</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,300,217
Special	2,909
Vocational	1,623
Support Services:	
Pupil	32,222
Instructional Staff	7,612
School Administration	18,032
Operations and Maintenance	394,131
Pupil Transportation	240,158
Operation of Non-Instructional Services	7,946
Extracurricular Activities	27,628
Total Depreciation Expense	<u>\$2,032,478</u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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>
Governmental Activities:						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2033	\$16,300,000	\$0	\$265,000	\$16,035,000	\$285,000
2008 School Improvement Bonds:						
Current Interest - 4.00-5.25%	12/01/2036	9,050,000	0	185,000	8,865,000	190,000
Principal - 4.00-5.25%	*	76,401	0	0	76,401	0
Capital Appreciation		34,832	22,983	0	57,815	0
Premium		20,019	0	741	19,278	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	2,465,000	0	5,000	2,460,000	5,000
Principal - 4.00-5.25%	*	34,999	0	0	34,999	0
Capital Appreciation		22,506	16,207	0	38,713	0
Total Long Term Debt		28,003,757	39,190	455,741	27,587,206	480,000
Compensated Absences		1,129,592	251,537	218,780	1,162,349	297,614
Total Governmental Activities						
Long Term Liabilities		<u>\$29,133,349</u>	<u>\$290,727</u>	<u>\$674,521</u>	<u>\$28,749,555</u>	<u>\$777,614</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
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	705,000	1,148,000	1,853,000	0	0	0
2017-2021	3,700,000	5,311,701	9,011,701	111,400	663,600	775,000
2022-2026	5,945,000	4,267,706	10,212,706	0	0	0
2027-2031	7,865,000	2,736,831	10,601,831	0	0	0
2032-2036	6,285,000	840,081	7,125,081	0	0	0
2037	625,000	16,406	641,406	0	0	0
Total	<u>\$27,360,000</u>	<u>\$19,192,412</u>	<u>\$46,552,412</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, 2011

Note 8 - Pension Plans

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 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, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% 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, 2011, 2010, and 2009 were \$484,992, \$457,332, and \$469,680, 100% has been contributed for fiscal year 2011, 2010 and 2009.

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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 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 31st 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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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.

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, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$1,404,228, \$1,484,316, and \$1,564,272, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 9- Post Employment Benefits

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.

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 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; 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 2011, the actuarially required allocation was .76%. District contributions for the years ended June 30, 2011, 2010 and 2009 were \$26,328, \$24,827 and \$25,161, 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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011, the health care allocation was 1.43%. 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 2011, 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, 2011, 2010, and 2009 were \$49,538, \$15,027, and \$139,562, respectively; 100% has been contributed for fiscal year 2011, 2010 and 2009.

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.

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 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 or by requesting a copy by calling toll-free 1-888-227-7877.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$100,302, \$106,023, and \$111,734, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 10 - Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2011.

Litigation

The District was involved in a legal settlement with the special education department. The District's insurance company settled for \$300,000 and the District had to reimburse the insurance company \$25,000. The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 11 - Jointly Governed Organizations

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site used by the District. MVECA is an association of 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 \$66,877 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 District. The District has neither ongoing 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

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 \$12,000,000 for each occurrence and \$14,000,000 in the general aggregate. Other liability insurance includes \$12,000,000 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 \$61,160,018.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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 \$381,399 reported in the general fund at June 30, 2011 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:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Balance
2010	\$322,593	\$3,132,544	(\$3,157,184)	\$297,953
2011	297,953	3,255,276	(3,171,830)	381,399

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 - Set-Asides

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2011, the reserve activity (cash-basis) was as follows:

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

	<u>Textbooks Reserve</u>	<u>Capital Maintenance Reserve</u>
Balance as of June 30, 2010	(\$3,666,219)	\$0
Required Set-Aside	365,668	365,668
Qualifying Expenditures	(411,086)	(567,276)
Offset Credits	0	(789,326)
Balance as of June 30, 2011	<u><u>(\$3,711,637)</u></u>	<u><u>(\$990,934)</u></u>

Expenditures for textbook and instructional material activities during the year totaled \$411,086. This amount increased the excess amount of \$3,666,219 from fiscal year 2010, and it may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.

Expenditures for capital activity during the year totaled \$567,276, 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 (\$397,722), 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 (\$100), insurance proceeds received as a result of the damage or theft or destruction of a permanent improvement to the extent the Board of Education places the proceeds in a separate fund for the acquisition, replacement, enhancement, maintenance or repair of the permanent improvement (\$1,044), 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 (\$390,460).

Note 14 - Interfund Transactions

Interfund transactions at June 30, 2011, consisted of the following interfund receivables, and interfund payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$25,841	\$0
Other Governmental Funds	0	25,841
	<u><u>\$25,841</u></u>	<u><u>\$25,841</u></u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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.

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Fund Balances	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:					
Inventory	\$0	\$0	\$0	\$8,634	\$8,634
Total Nonspendable	0	0	0	8,634	8,634
Restricted for:					
Extracurricular Student Activities	0	0	0	60,977	60,977
Education Management Information System	0	0	0	4,420	4,420
School Net Professional Development	0	0	0	36	36
Miscellaneous State Grants	0	0	0	123,214	123,214
Special Education	0	0	0	25,548	25,548
Title I	0	0	0	1,372	1,372
Drug Free Schools	0	0	0	1,550	1,550
IDEA Preschool	0	0	0	3,358	3,358
Improving Teacher Quality	0	0	0	3,093	3,093
Miscellaneous Federal Grants	0	0	0	128	128
Race to the Top	0	0	0	410	410
Food Service	0	0	0	128,315	128,315
Classroom Facilities Maintenance	0	0	0	1,550,950	1,550,950
Debt Service	0	3,484,048	0	0	3,484,048
Classroom Facilities	0	0	487,990	0	487,990
Permanent Improvement	0	0	0	749,766	749,766
Buildings	0	0	0	217,504	217,504
Total Restricted	0	3,484,048	487,990	2,870,641	6,842,679
Committed to:					
Health Insurance Budget Stabilization	435,341	0	0	0	435,341
Total Committed	435,341	0	0	0	435,341
Assigned to:					
Encumbrances	3,879,455	0	0	0	3,879,455
Total Assigned	3,879,455	0	0	0	3,879,455
Unassigned (Deficit)	6,476,472	0	0	0	6,476,472
Total Fund Balance	\$10,791,268	3,484,048	\$487,990	\$2,879,275	\$17,642,581

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011**

Note 16 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Restatement of Fund Balance

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<u> </u>	<u> </u>
Fund Balance, June 30, 2010	\$7,727,207	\$4,991,897
Change in Fund Structure	47,921	(47,921)
Fund Balance, June 30, 2010 - Restated	<u>\$7,775,128</u>	<u>\$4,943,976</u>

REQUIRED SUPPLEMENTARY INFORMATION

Miami Trace Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,196,797	\$9,692,505	\$9,656,427	(\$36,078)
Revenue in lieu of taxes	334,039	394,993	393,523	(1,470)
Tuition and Fees	1,091,896	1,291,140	1,286,334	(4,806)
Investment Earnings	11,112	13,140	13,091	(49)
Intergovernmental	9,671,017	11,435,734	11,393,167	(42,567)
Extracurricular Activities	2,286	2,703	2,693	(10)
Charges for Services	961	1,136	1,132	(4)
Other Revenues	56,488	66,796	66,547	(249)
Total Revenues	19,364,596	22,898,147	22,812,914	(85,233)
Expenditures:				
Current:				
Instruction:				
Regular	8,892,199	8,904,412	8,704,033	200,379
Special	1,734,130	1,736,511	1,697,434	39,077
Vocational	174,322	174,561	170,633	3,928
Other	1,830,911	1,833,425	1,792,167	41,258
Support Services:				
Pupil	858,893	860,072	840,718	19,354
Instructional Staff	1,539,517	1,541,632	1,506,940	34,692
General Administration	32,548	32,592	31,859	733
School Administration	2,124,729	2,127,647	2,079,768	47,879
Fiscal	686,239	687,182	671,718	15,464
Business	107,510	107,658	105,235	2,423
Operations and Maintenance	2,315,297	2,318,476	2,266,303	52,173
Pupil Transportation	1,868,447	1,871,013	1,828,909	42,104
Central	78,232	78,340	76,577	1,763
Extracurricular Activities	264,700	265,064	259,099	5,965
Capital Outlay	16,035	16,057	15,696	361
Total Expenditures	22,523,709	22,554,642	22,047,089	507,553
Excess of Revenues Over (Under) Expenditures	(3,159,113)	343,505	765,825	422,320
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	33,862	40,041	39,892	(149)
Total Other Financing Sources (Uses)	33,862	40,041	39,892	(149)
Net Change in Fund Balance	(3,125,251)	383,546	805,717	422,171
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,125,846	3,125,846	3,125,846	0
Fund Balance End of Year	\$595	\$3,509,392	\$3,931,563	\$422,171

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, 2011

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

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 an assignment 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, 2011

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	\$3,016,140
Revenue Accruals	(1,203,667)
Expenditure Accruals	(369,844)
Encumbrances	<u>(636,912)</u>
Budget Basis	<u><u>\$805,717</u></u>

Miami Trace Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2011

<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>
<u>U.S. Department of Agriculture:</u> (Passed through Ohio Department of Education)				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	n/a	10.555	\$ 45,196	45,196
Cash Assistance:				
School Breakfast Program	05PU-2011	10.553	111,678	111,678
National School Lunch Program	LLP4-2011	10.555	<u>360,938</u>	<u>360,938</u>
Cash Assistance Subtotal			<u>472,616</u>	<u>472,616</u>
Nutrition Cluster Total			<u>517,812</u>	<u>517,812</u>
Total U.S. Department of Agriculture			<u>517,812</u>	<u>517,812</u>
<u>U.S. Department of Education:</u> (Passed through Ohio Department of Education)				
Title I Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2010	84.010	77,000	78,288
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	368,813	367,657
ARRA - Title I Grants to Local Educational Agencies	n/a	84.389	<u>91,292</u>	<u>96,703</u>
			<u>537,105</u>	<u>542,648</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2010	84.027	51,764	81,921
Special Education - Grants to States	6BSF-2011	84.027	403,167	417,725
ARRA - Special Education - Grants to States	n/a	84.391	288,092	288,398
Special Education - Preschool Grants	PGS1-2010	84.173	1,714	1,911
Special Education - Preschool Grants	PGS1-2011	84.173	11,035	10,728
ARRA - Special Education - Preschool Grants	n/a	84.392	<u>10,236</u>	<u>11,835</u>
			<u>766,008</u>	<u>812,518</u>
Safe and Drug-Free Schools and Communities	DRS1-2010	84.186	207	-
Safe and Drug-Free Schools and Communities	DRS1-2011	84.186	<u>4,058</u>	<u>3,817</u>
			<u>4,265</u>	<u>3,817</u>
Education Technology State Grants	TJS1-2011	84.318	<u>1,179</u>	<u>1,051</u>
Improving Teacher Quality State Grants	TRS1-2010	84.367	14,913	16,171
Improving Teacher Quality State Grants	TRS1-2011	84.367	<u>131,127</u>	<u>137,611</u>
			<u>146,040</u>	<u>153,782</u>
ARRA - State Fiscal Stabilization Fund	n/a	84.394	<u>768,284</u>	<u>893,604</u>
ARRA - Race to the Top Incentive Grants	n/a	84.395	<u>34,794</u>	<u>34,384</u>
Total U.S. Department of Education			<u>2,257,675</u>	<u>2,441,804</u>
Total Federal Awards			\$ <u>2,775,487</u>	<u>2,959,616</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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 19, 2011, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective 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 identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2 that we consider to be significant deficiencies 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 19, 2011.

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

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 19, 2011

**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, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

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, Hackett & Co.

Cincinnati, Ohio
December 19, 2011

Miami Trace Local School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

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?	none
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?	none
Identification of major programs:	

Nutrition Cluster

CFDA 10.553 – National School Breakfast Program

CFDA 10.555 – National School Lunch Program

Special Education Cluster

CFDA 84.027 – Special Education Grants to States

CFDA 84.173 – Special Education Preschool Grants to States

CFDA 84.391 – Special Education Grants to States – ARRA

CFDA 84.392 – Special Education Preschool Grants to States – 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

2011-1 Audit Adjustments

Condition: During the course of our audit, we identified two misstatements in the financial statements for the year under audit that were 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 first audit adjustment was necessary to properly classify fund balances in accordance with GASB Statement 54 as well as to properly classify net assets on the Statement of Net Assets. The other audit adjustment was necessary to record a receivable of approximately \$507,000 for grant money available to be drawn by the School District for the Education Jobs Grant.

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 acknowledges and concurs.*

2011-2 Transportation Inventory Control

Condition: During the year ended June 30, 2011, the Treasurer discovered improper handling of School District assets by the Transportation Department and reported the circumstances to the Ohio Auditor of State's Office. During the course of our audit, we reviewed documentation the Treasurer obtained from the Transportation Supervisor that demonstrated he and other employees of the Transportation Department had been selling scrap parts and materials of the School District to scrap yards and recycling centers over the past years for cash. Proceeds from the sale of the scrap materials were not deposited with the School District Treasurer as required. For the period from July 2010 to July 2011, the School District was able to determine that at least \$4,179 was received from such sales but is unable to substantiate the total amount received. The Transportation Department held the proceeds and operated an unauthorized cash fund. Furthermore, the School District is unable to determine how the proceeds from these sales were disbursed as disbursements were not properly authorized in accordance with School District policy.

The School District has established policies for cash collections to be deposited with the Treasurer, the proper disposal of assets and purchasing procedures for the proper expenditure of funds. However, these policies were not followed.

Certainly, it is difficult to develop internal controls over scrap items as by nature, they no longer are considered usable by the School District. Any system of internal controls should have benefits that exceed the cost. We would recommend the School District continue to educate employees on policies and specifically emphasize procedures for cash collections.

Management response: *Management acknowledges and concurs.*

2010-1 – 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 over financial reporting. 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.

Status: While this specific issue was corrected, two significant audit adjustments were noted during the course of the current audit and is reported as finding 2011-1.

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

Prior Year 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.

Status: Corrected

Independent Accountants' Report on Applying Agreed-Upon Procedure

Miami Trace Local School District
Fayette County
3818 State Route 41 NW
Washington Court House, OH 43160

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Miami Trace Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy on November 9, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 19, 2011