

**Miami East Local School District
Miami County, Ohio**

Basic Financial Statements

June 30, 2014

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Miami East Local School District
3825 North State Route 589
Casstown, Ohio 45312

We have reviewed the *Independent Auditors' Report* of the Miami East Local School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 27, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Education
Miami East Local School District
3825 North State Route 589
Casstown, Ohio 45312

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 East Local School District as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (the Schedule), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the 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* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 30, 2014

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The discussion and analysis of the Miami East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$582,272 which represents a 3.66% increase from 2013's amount.
- General revenues accounted for \$13,312,374 in revenue or 87.11% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,969,636 or 12.89% of total revenues of \$15,282,010.
- The District had \$14,412,945 in expenses related to governmental activities; \$1,969,636 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,312,374 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$12,635,982 in revenues and other financing sources and \$11,628,006 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$1,007,976 from \$1,600,962 to \$2,608,938.
- The bond retirement fund had \$1,437,251 in revenues and \$1,324,505 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance increased \$112,746 from \$964,214 to \$1,076,960.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. 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 an increasingly detailed look at specific financial activities.

The *statement of net position* 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. In the case of the District, the general fund and the bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. 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. The District's major governmental funds are the general fund and the bond retirement fund.

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* than can readily be converted to cash. The governmental fund financial 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-54 of this report.

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 11,836,336	\$ 11,074,146
Capital assets, net	<u>27,997,944</u>	<u>28,541,453</u>
Total assets	<u>39,834,280</u>	<u>39,615,599</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows of resources	<u>249,456</u>	<u>265,047</u>
<u>Liabilities</u>		
Current liabilities	1,512,523	1,459,941
Long-term liabilities	<u>17,842,707</u>	<u>18,521,278</u>
Total liabilities	<u>19,355,230</u>	<u>19,981,219</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows of resources	<u>4,238,080</u>	<u>3,991,273</u>
<u>Net Position</u>		
Net investment in capital assets	12,486,530	12,683,473
Restricted	2,182,796	2,508,221
Unrestricted	<u>1,821,100</u>	<u>716,460</u>
Total net position	<u>\$ 16,490,426</u>	<u>\$ 15,908,154</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$16,490,426. Of this total, \$2,182,796 is restricted in use.

Assets of the District increased \$218,681 or 0.55%. This increase is due mainly to an increase in equity in pooled cash and cash equivalents and property taxes receivable. Equity in pooled cash and cash equivalents was helped by an increase in cash in the general fund due to good management of cash flows. Property taxes receivable increased due to an increase in assessed property tax values by the County primarily related to increases in Current Agriculture Use Valuation (CAUV) values.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

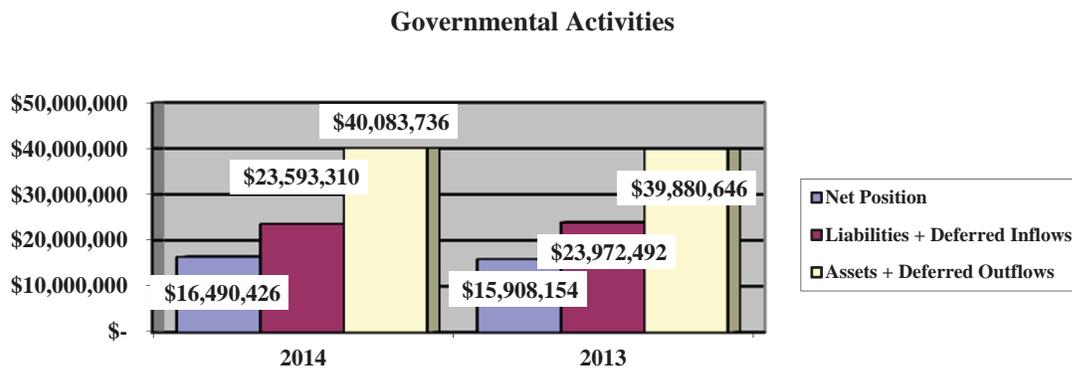
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

At year-end, capital assets represented 70.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets at June 30, 2014, was \$12,486,530. 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.

Liabilities of the District decreased \$625,989 or 3.13%. This decrease was due largely to the repayment of \$660,000 in general obligation bonds.

A portion of the District's net position, \$2,182,796, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$1,821,100. The increase in unrestricted net position is associated with the increase in general fund balance as described later.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal year 2014 and 2013.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,089,162	\$ 1,035,441
Operating grants and contributions	875,033	899,139
Capital grants and contributions	5,441	1,715
General revenues:		
Property taxes	5,139,948	4,798,477
Income taxes	2,895,570	2,754,293
Grants and entitlements	5,199,107	5,075,820
Investment earnings	8,985	7,626
Other	68,764	81,908
Total revenues	<u>15,282,010</u>	<u>14,654,419</u>

(Continued)

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Change in Net Position (Continued)

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,684,670	\$ 5,409,319
Special	1,201,672	1,163,937
Vocational	86,294	81,135
Other	746,509	665,691
Support services:		
Pupil	713,972	679,636
Instructional staff	482,592	427,382
Board of education	23,094	19,138
Administration	817,085	834,769
Fiscal	393,817	375,226
Business	42,213	51,278
Operations and maintenance	1,260,293	1,197,366
Pupil transportation	940,266	858,396
Central	131,871	186,560
Operations of non-instructional services:		
Other non-instructional services	18,993	26,084
Food service operations	429,807	436,924
Extracurricular activities	506,389	510,181
Interest and fiscal charges	<u>933,408</u>	<u>931,197</u>
Total expenses	<u>14,412,945</u>	<u>13,854,219</u>
Special item	<u>(286,793)</u>	<u>-</u>
Change in net position	582,272	800,200
Net position at beginning of year	<u>15,908,154</u>	<u>15,107,954</u>
Net position at end of year	<u>\$ 16,490,426</u>	<u>\$ 15,908,154</u>

Governmental Activities

Net position of the District's governmental activities increased \$582,272. Total governmental expenses of \$14,412,945 were offset by program revenues of \$1,969,636 and general revenues of \$13,312,374. Program revenues supported 13.67% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86.60% of total governmental revenue. Revenues of the District increased \$627,591 or 4.28%. The primary reason for increase relates to an increase in property tax revenues. They increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Miami County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2014, 2013 and 2012 was \$944,871, \$807,787 and \$801,365 respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distribute tax bills.

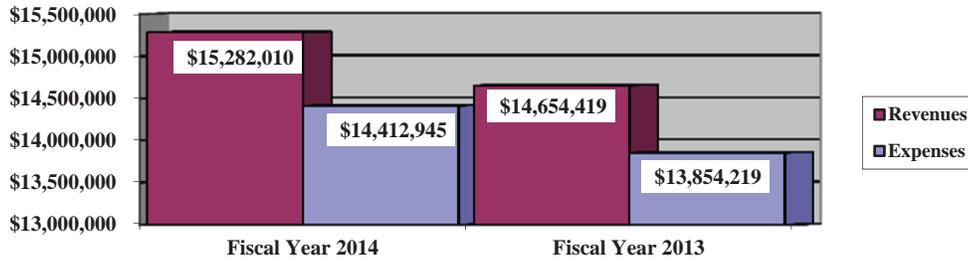
**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,719,145 or 53.56% of total governmental expenses for fiscal year 2014.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. The total cost of services represents the total cost the District incurred to provide the service and the net cost of services represents the cost of the service after applying specific program revenues attributable to that service.

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 5,684,670	\$ 4,955,743	\$ 5,409,319	\$ 4,682,904
Special	1,201,672	595,880	1,163,937	666,497
Vocational	86,294	82,059	81,135	45,282
Other	746,509	746,509	665,691	665,691
Support services:				
Pupil	713,972	704,840	679,636	668,397
Instructional staff	482,592	464,816	427,382	390,812
Board of education	23,094	23,094	19,138	19,138
Administration	817,085	815,821	834,769	833,866
Fiscal	393,817	372,398	375,226	351,104
Business	42,213	42,213	51,278	51,278
Operations and maintenance	1,260,293	1,242,970	1,197,366	1,184,449
Pupil transportation	940,266	871,410	858,396	774,508
Central	131,871	131,871	186,560	179,146
Operations of non-instructional services:				
Other non-instructional services	18,993	(3,614)	26,084	5,901
Food service operations	429,807	83,910	436,924	75,722
Extracurricular activities	506,389	379,981	510,181	392,032
Interest and fiscal charges	933,408	933,408	931,197	931,197
Total expenses	<u>\$ 14,412,945</u>	<u>\$ 12,443,309</u>	<u>\$ 13,854,219</u>	<u>\$ 11,917,924</u>

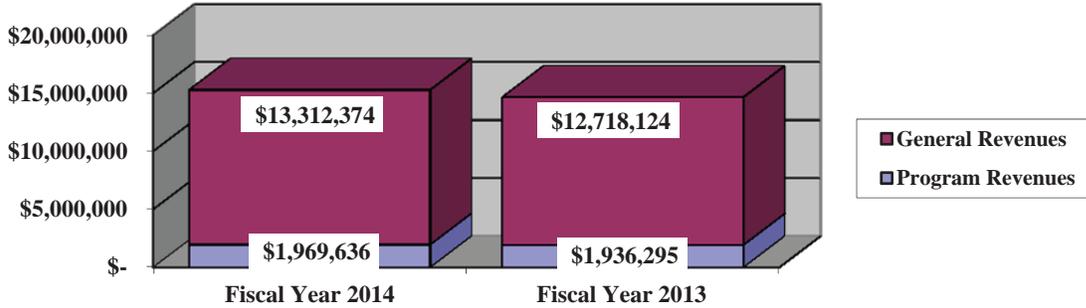
**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The dependence upon tax and other general revenues for governmental activities is apparent, as 82.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.33%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,848,435 which is more than last year's total of \$5,016,361. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Change	Percentage Change
General	\$ 2,608,938	\$ 1,600,962	\$ 1,007,976	62.96 %
Bond Retirement	1,076,960	964,214	112,746	11.69 %
Other Governmental	<u>2,162,537</u>	<u>2,451,185</u>	<u>(288,648)</u>	(11.78) %
Total	<u>\$ 5,848,435</u>	<u>\$ 5,016,361</u>	<u>\$ 832,074</u>	16.59 %

General Fund

The District's general fund balance increased \$1,007,976.

Revenues of the general fund increased \$463,521 or 3.81%. This increase can be attributed to an increase in the amount of tax advance that was available to the District from the County Auditor at June 30, 2014 versus June 30, 2013. This variance resulted in more tax revenue being reported in fiscal year 2014. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed.

Expenditures of the general fund increased \$414,063 or 3.69%. The most significant increase was in the area of instruction and support services. These increases resulted from salary and benefit increases to District staff.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,584,641	\$ 6,287,853	\$ 296,788	4.72 %
Tuition	632,963	585,268	47,695	8.15 %
Earnings on investments	8,985	7,626	1,359	17.82 %
Intergovernmental	5,238,836	5,110,269	128,567	2.52 %
Other revenues	<u>168,439</u>	<u>179,327</u>	<u>(10,888)</u>	<u>(6.07) %</u>
Total	<u>\$ 12,633,864</u>	<u>\$ 12,170,343</u>	<u>\$ 463,521</u>	3.81 %
<u>Expenditures</u>				
Instruction	\$ 6,998,936	\$ 6,697,730	\$ 301,206	4.50 %
Support services	4,319,787	4,134,458	185,329	4.48 %
Non-instructional services	9,097	9,517	(420)	(4.41) %
Extracurricular activities	275,509	282,602	(7,093)	(2.51) %
Facilities acquisition and construction	<u>24,677</u>	<u>89,636</u>	<u>(64,959)</u>	<u>(72.47) %</u>
Total	<u>\$ 11,628,006</u>	<u>\$ 11,213,943</u>	<u>\$ 414,063</u>	3.69 %

Bond Retirement Fund

The bond retirement fund had \$1,437,251 in revenues and \$1,324,505 in expenditures. During fiscal year 2014, the bond retirement fund's fund balance increased \$112,746 from \$964,214 to \$1,076,960. The increase in fund balance is the result of property tax collections and an increase in tax advances from the County exceeding the scheduled principal and interest payments on general obligation bonds.

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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$11,558,337. Final budgeted revenues and other financing sources and actual revenues and other financing sources for fiscal year 2014 was \$12,535,437. This represents a \$977,100 increase from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$12,292,128, which were decreased to \$12,007,962 in the final appropriations. The actual budget basis expenditures for fiscal year 2014 totaled \$12,007,962, which was \$284,166 less than the original budgeted appropriations.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$27,997,944 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 303,182	\$ 303,182
Land improvements	1,019,400	1,087,880
Building and improvements	25,531,494	26,128,181
Furniture, fixtures and equipment	735,805	839,576
Vehicles	408,063	182,634
Total	\$ 27,997,944	\$ 28,541,453

The overall decrease in capital assets of \$543,509 is due to depreciation of \$893,148 and disposals (net of accumulated depreciation) of \$3,847 exceeding current year additions of \$353,486. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2014, the District had \$16,360,292 in general obligation bonds payable. Of this total, \$695,000 is due within one year and \$15,665,292 is due in more than one year.

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2014	2013
2002 school improvement bonds	\$ -	\$ 311,721
2007 school improvement refunding bonds	10,288,247	10,251,954
2009 school improvement bonds	6,072,045	6,205,087
Total	\$ 16,360,292	\$ 16,768,762

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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: Mrs. Lisa Fahnce, Treasurer, Miami East Local School District, 3825 N. State Route 589, Casstown, Ohio 45312.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,168,858
Cash and cash equivalents with fiscal agent	83,986
Receivables:	
Property taxes	5,259,936
Income taxes.	1,091,821
Accounts.	15,188
Accrued interest	1,492
Intergovernmental	142,393
Materials and supplies inventory.	72,662
Capital assets:	
Nondepreciable capital assets	303,182
Depreciable capital assets, net.	27,694,762
Capital assets, net	27,997,944
Total assets.	39,834,280
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	249,456
Total deferred outflows of resources	249,456
 Liabilities:	
Accounts payable.	123,221
Contracts payable.	26,108
Accrued wages and benefits payable	998,567
Pension obligation payable.	194,419
Intergovernmental payable	55,693
Unearned revenue	8,738
Accrued interest payable	105,777
Long-term liabilities:	
Due within one year.	870,223
Due in more than one year.	16,972,484
Total liabilities	19,355,230
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,238,080
Total deferred inflows of resources	4,238,080
 Net position:	
Net investment in capital assets	12,486,530
Restricted for:	
Capital projects	1,685,979
Classroom facilities maintenance	264,426
Federally funded programs	61,068
Student activities	7,980
Other purposes	163,343
Unrestricted	1,821,100
Total net position.	\$ 16,490,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position in Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 5,684,670	\$ 698,025	\$ 30,902	\$ -	\$ (4,955,743)
Special	1,201,672	12,252	593,540	-	(595,880)
Vocational	86,294	159	4,076	-	(82,059)
Other	746,509	-	-	-	(746,509)
Support services:					
Pupil	713,972	9,132	-	-	(704,840)
Instructional staff	482,592	2,355	15,421	-	(464,816)
Board of education	23,094	-	-	-	(23,094)
Administration	817,085	1,264	-	-	(815,821)
Fiscal	393,817	11,430	9,989	-	(372,398)
Business	42,213	-	-	-	(42,213)
Operations and maintenance	1,260,293	11,458	424	5,441	(1,242,970)
Pupil transportation	940,266	21,467	47,389	-	(871,410)
Central	131,871	-	-	-	(131,871)
Operation of non-instructional services:					
Other non-instructional services	18,993	658	21,949	-	3,614
Food service operations	429,807	211,037	134,860	-	(83,910)
Extracurricular activities	506,389	109,925	16,483	-	(379,981)
Interest and fiscal charges	933,408	-	-	-	(933,408)
Total governmental activities	\$ 14,412,945	\$ 1,089,162	\$ 875,033	\$ 5,441	(12,443,309)

General revenues:

Property taxes levied for:	
General purposes	3,692,238
Facilities maintenance	77,396
Debt service	1,245,864
Capital outlay	124,450
Income taxes levied for:	
General purposes	2,895,570
Grants and entitlements restricted for	
Ohio School Facilities Commission	26,108
Grants and entitlements not restricted	
to specific programs	5,172,999
Investment earnings	8,985
Miscellaneous	68,764
Total general revenues	13,312,374
Special item - repayment of OSFC funding	(286,793)
Total general revenues and special items	13,025,581
Change in net position	582,272
Net position at beginning of year	15,908,154
Net position at end of year	\$ 16,490,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,283,540	\$ 842,987	\$ 2,042,331	\$ 5,168,858
Cash and cash equivalents with fiscal agent . .	-	-	83,986	83,986
Receivables:				
Property taxes.	3,794,505	1,262,379	203,052	5,259,936
Income taxes	1,091,821	-	-	1,091,821
Accounts	12,667	-	2,521	15,188
Accrued interest	1,347	-	145	1,492
Intergovernmental.	36,376	-	106,017	142,393
Materials and supplies inventory.	67,197	-	5,465	72,662
Total assets	<u>\$ 7,287,453</u>	<u>\$ 2,105,366</u>	<u>\$ 2,443,517</u>	<u>\$ 11,836,336</u>
Liabilities:				
Accounts payable	\$ 110,260	\$ -	\$ 12,961	\$ 123,221
Contracts payable.	-	-	26,108	26,108
Accrued wages and benefits payable	968,750	-	29,817	998,567
Compensated absences payable	9,561	-	-	9,561
Intergovernmental payable	54,673	-	1,020	55,693
Unearned revenue.	1,282	-	7,456	8,738
Pension obligation payable	185,900	-	8,519	194,419
Total liabilities.	<u>1,330,426</u>	<u>-</u>	<u>85,881</u>	<u>1,416,307</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	3,065,617	1,009,727	162,736	4,238,080
Delinquent property tax revenue not available. . .	55,300	18,679	3,006	76,985
Other nonexchange transactions not available. . .	-	-	28,447	28,447
Miscellaneous revenue not available.	22,058	-	910	22,968
Income tax revenue not available	205,114	-	-	205,114
Total deferred inflows of resources	<u>3,348,089</u>	<u>1,028,406</u>	<u>195,099</u>	<u>4,571,594</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	67,197	-	5,465	72,662
Restricted:				
Debt service	-	1,076,960	-	1,076,960
Capital improvements	-	-	1,683,876	1,683,876
Classroom facilities maintenance	-	-	263,273	263,273
Food service operations	-	-	80,282	80,282
Targeted academic assistance	-	-	32,621	32,621
Other purposes.	-	-	89,201	89,201
Extracurricular activities	-	-	7,819	7,819
Assigned:				
Student instruction	579	-	-	579
Student and staff support.	47,082	-	-	47,082
Subsequent year's appropriations	14,456	-	-	14,456
Other purposes.	480	-	-	480
Unassigned	2,479,144	-	-	2,479,144
Total fund balances	<u>2,608,938</u>	<u>1,076,960</u>	<u>2,162,537</u>	<u>5,848,435</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,287,453</u>	<u>\$ 2,105,366</u>	<u>\$ 2,443,517</u>	<u>\$ 11,836,336</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	5,848,435
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			27,997,944
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	76,985	
Income taxes receivable		205,114	
Accounts receivable		22,968	
Intergovernmental receivable		28,447	
Total		333,514	333,514
Unamortized premiums on bonds issued are not recognized in the funds.			(465,875)
Unamortized amounts on refundings are not recognized in the funds.			249,456
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(105,777)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(16,360,292)	
Compensated absences		(1,006,979)	
Total		(17,367,271)	(17,367,271)
Net position of governmental activities		\$	16,490,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 3,685,160	\$ 1,244,413	\$ 201,718	\$ 5,131,291
Income taxes	2,899,481	-	-	2,899,481
Tuition	632,963	-	-	632,963
Transportation fees	2,678	-	23,908	26,586
Earnings on investments	8,985	-	13,479	22,464
Charges for services	-	-	223,430	223,430
Extracurricular	16,802	-	103,668	120,470
Classroom materials and fees	74,935	-	-	74,935
Rental income	10,528	-	-	10,528
Contributions and donations	20,970	-	20,489	41,459
Other local revenues	42,526	-	15,347	57,873
Intergovernmental - intermediate	1,121	-	-	1,121
Intergovernmental - state	5,237,715	192,838	75,976	5,506,529
Intergovernmental - federal	-	-	554,433	554,433
Total revenues	<u>12,633,864</u>	<u>1,437,251</u>	<u>1,232,448</u>	<u>15,303,563</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,322,098	-	37,890	5,359,988
Special	862,302	-	299,681	1,161,983
Vocational	68,027	-	268	68,295
Other	746,509	-	-	746,509
Support services:				
Pupil	634,352	-	2,350	636,702
Instructional staff	443,841	-	44,799	488,640
Board of education	23,094	-	-	23,094
Administration	753,716	-	-	753,716
Fiscal	358,271	22,371	24,146	404,788
Business	38,351	-	-	38,351
Operations and maintenance	950,468	-	114,794	1,065,262
Pupil transportation	1,045,551	-	123,518	1,169,069
Central	72,143	-	-	72,143
Operation of non-instructional services:				
Other non-instructional services	9,097	-	9,896	18,993
Food service operations	-	-	356,225	356,225
Extracurricular activities	275,509	-	141,954	417,463
Facilities acquisition and construction	24,677	-	78,782	103,459
Debt service:				
Principal retirement	-	334,461	-	334,461
Interest and fiscal charges	-	642,134	-	642,134
Accretion on capital appreciation bonds	-	325,539	-	325,539
Total expenditures	<u>11,628,006</u>	<u>1,324,505</u>	<u>1,234,303</u>	<u>14,186,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,005,858</u>	<u>112,746</u>	<u>(1,855)</u>	<u>1,116,749</u>
Other financing sources:				
Sale of assets	2,118	-	-	2,118
Total other financing sources	<u>2,118</u>	<u>-</u>	<u>-</u>	<u>2,118</u>
Special item:				
Repayment of OSFC funding	-	-	(286,793)	(286,793)
Net change in fund balances	1,007,976	112,746	(288,648)	832,074
Fund balances at beginning of year	<u>1,600,962</u>	<u>964,214</u>	<u>2,451,185</u>	<u>5,016,361</u>
Fund balances at end of year	<u>\$ 2,608,938</u>	<u>\$ 1,076,960</u>	<u>\$ 2,162,537</u>	<u>\$ 5,848,435</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	832,074
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 353,486	
Current year depreciation	<u>(893,148)</u>	
Total		(539,662)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,847)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	8,657	
Income taxes	(3,911)	
Charges for services	(141)	
Extracurricular	(829)	
Classroom materials and fees	1,349	
Other local revenues	5,268	
Intergovernmental	<u>(31,946)</u>	
Total		(21,553)
Repayment of bond principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	334,461	
Payment of accretion	<u>325,539</u>	
Total		660,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	(51,849)	
Accreted interest on capital appreciation bonds	(251,530)	
Amortization of bond premiums	27,696	
Amortization of deferred charges	<u>(15,591)</u>	
Total		(291,274)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(53,466)</u>
Change in net position of governmental activities	\$	<u>582,272</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,312,268	\$ 3,578,660	\$ 3,578,660	\$ -
Income taxes	2,734,178	2,954,077	2,954,077	-
Tuition	585,846	632,963	632,963	-
Transportation fees	2,479	2,678	2,678	-
Earnings on investments	8,097	8,748	8,748	-
Extracurricular	1,108	1,197	1,197	-
Classroom materials and fees	35,822	38,703	38,703	-
Rental income	10,670	11,528	11,528	-
Contributions and donations	6,201	6,700	6,700	-
Other local revenues	27,908	30,152	30,152	-
Intergovernmental - intermediate	1,038	1,121	1,121	-
Intergovernmental - state	4,832,722	5,221,399	5,221,399	-
Total revenues	11,558,337	12,487,926	12,487,926	-
Expenditures:				
Current:				
Instruction:				
Regular	5,626,275	5,486,953	5,486,953	-
Special	849,001	858,976	858,976	-
Vocational	82,870	88,690	88,690	-
Other	679,201	747,120	747,120	-
Support services:				
Pupil	568,481	635,545	635,545	-
Instructional staff	511,321	446,817	446,817	-
Board of education	21,792	21,080	21,080	-
Administration	816,586	802,556	802,556	-
Fiscal	344,840	377,355	377,355	-
Business	62,837	47,391	47,391	-
Operations and maintenance	1,090,331	1,016,634	1,016,634	-
Pupil transportation	1,252,729	1,082,979	1,082,979	-
Central	5,099	77,256	77,256	-
Other operation of non-instructional services	400	7,065	7,065	-
Extracurricular activities	287,847	286,868	286,868	-
Facilities acquisition and construction	92,518	24,677	24,677	-
Total expenditures	12,292,128	12,007,962	12,007,962	-
Excess (deficiency) of revenues over (under) expenditures	(733,791)	479,964	479,964	-
Other financing sources:				
Refund of prior year's expenditures	-	45,425	45,425	-
Sale of assets	-	2,086	2,086	-
Total other financing sources	-	47,511	47,511	-
Net change in fund balance	(733,791)	527,475	527,475	-
Fund balance at beginning of year	1,069,490	1,069,490	1,069,490	-
Prior year encumbrances appropriated	492,128	492,128	492,128	-
Fund balance at end of year	\$ 827,827	\$ 2,089,093	\$ 2,089,093	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 15,883	\$ 72,864
Receivables:		
Accounts	-	2,148
Total assets.	15,883	\$ 75,012
Liabilities:		
Due to students.	-	\$ 66,110
Undistributed monies	-	8,099
Total liabilities	-	\$ 75,012
Net position:		
Held in trust for scholarships	15,883	
Total net position.	\$ 15,883	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 17
Total additions	17
Change in net position	17
Net position at beginning of year	15,866
Net position at end of year	\$ 15,883

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE DISTRICT

Miami East Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District was established in 1956 through the consolidation of existing land areas and Districts. The District serves an area of approximately 118 square miles. It is located in Miami County, and includes all of the Villages of Casstown and Fletcher; Brown, Elizabeth, Lostcreek and Staunton Townships; and portions of Springcreek and Bethel Townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in two jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Ohio School Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District typically are financed. Governmental fund reporting focuses 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund accounts for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's two trust funds are private purpose trusts which account for college scholarship programs for students. One of the District's two agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The other agency fund accounts for activity related to the Section 125 benefit plan for employees.

C. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type. The District; however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

E. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified 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 inflows of resources, 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. "Measurable" means that the amount of the transaction can be determined, and "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 60 days of fiscal year-end.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 non-exchange 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 fiscal year-end: property taxes available as an advance, income taxes, tuition, student fees, grants, and gifts and donations.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental 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 governmental funds.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The balance of programs administered and held by a fiscal agent is presented on the balance sheet as “cash and cash equivalents with fiscal agent” and represents deposits on hand with the Miami East Education Foundation.

During fiscal year 2014, the District invested in STAR Ohio (State Treasury Asset Reserve of Ohio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s shares price which is the price the investment could be sold for on June 30, 2014.

Following Ohio Statute, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2014 amounted to \$8,985 which includes \$4,230 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash and cash equivalents.

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food held for resale.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance. There were no prepaid items at year-end.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$750. 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 capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	7 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	5 - 10 years

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

K. Compensated Absences

Vacation, compensatory time, and personal leave 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. The District records a liability for unused personal leave and compensatory time for all employees who have a balance at the end of the fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the District.

The entire compensated absences liability is reported on the government-wide financial statements.

L. Unamortized Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of bonds payable. Issuance costs are expensed in the year they occur.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued. Accretion on the capital appreciation bonds is not recorded.

M. Loss on Advance Refunding

On the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain/loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This amount is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for food service operations and the Miami East Education Foundation.

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

Q. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net position. There were no interfund loans receivable/payable outstanding at June 30, 2014.

R. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The public school preschool fund (a nonmajor governmental fund) is administered by a fiscal agent and is not budgeted by the District. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the District reported a special item of \$286,793 as a repayment of construction funds that were due back to the Ohio School Facilities Commission (OSFC) as a result of the closeout of the District's project.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash and Cash Equivalents with Fiscal Agent

At fiscal year end, \$83,986 was on deposit for the Miami East Education Foundation. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as “cash and cash equivalents with fiscal agent”.

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$3,037,840. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$1,167,177 of the District’s bank balance of \$3,423,047 was exposed to custodial risk as discussed below, while \$2,255,870 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2014, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 2,219,765	\$ 2,219,765
Total	<u>\$ 2,219,765</u>	<u>\$ 2,219,765</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not address investment credit risk beyond the requirements of State statutes.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,219,765	100.00
Total	<u>\$ 2,219,765</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,037,840
Investments	2,219,765
Cash and cash equivalents with fiscal agent	<u>83,986</u>
Total	<u>\$ 5,341,591</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,252,844
Private purpose trust funds	15,883
Agency funds	<u>72,864</u>
Total	<u>\$ 5,341,591</u>

NOTE 5 - PROPERTY TAXES

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

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Miami 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, 2014, are available to finance fiscal year 2014 operations. The amounts available as an advance at June 30, 2014 were \$673,588 in the general fund, \$233,973 in the bond retirement fund, \$23,007 in the permanent improvement fund (a nonmajor governmental fund) and \$14,303 in the classroom facilities fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$567,090 in the general fund, \$206,414 in the bond retirement fund, \$21,141 in the permanent improvement fund (a nonmajor governmental fund) and \$13,142 in the classroom facilities fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 180,900,450	95.78	\$ 196,759,460	95.80
Public utility personal	<u>7,971,370</u>	<u>4.22</u>	<u>8,629,810</u>	<u>4.20</u>
Total	<u>\$ 188,871,820</u>	<u>100.00</u>	<u>\$ 205,389,270</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General	\$ 38.00		\$ 38.00	
Bond	7.29		7.00	
Permanent improvement	0.80		0.80	
Facilities maintenance	0.50		0.50	

NOTE 6 - INCOME TAX

In November 2011, the District voters approved the replacement of the 1.00% tax on all income of individuals. Income taxes are now levied at 1.75% on earned income of individuals residing in the District. Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,259,936
Income taxes	1,091,821
Accounts	15,188
Accrued interest	1,492
Intergovernmental:	
Catastrophic special education reimbursement	16,317
Title I	66,014
Ohio Schools Facilities Commission	26,108
Lunchroom reimbursements	13,770
Miscellaneous reimbursements	<u>20,184</u>
Total	<u>\$ 6,510,830</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 303,182	\$ -	\$ -	\$ 303,182
Total capital assets, not being depreciated	<u>303,182</u>	<u>-</u>	<u>-</u>	<u>303,182</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,659,726	-	-	1,659,726
Buildings and improvements	29,249,814	-	-	29,249,814
Furniture, fixtures and equipment	2,265,782	68,226	(35,917)	2,298,091
Vehicles	1,300,508	285,260	(60,603)	1,525,165
Total capital assets, being depreciated	<u>34,475,830</u>	<u>353,486</u>	<u>(96,520)</u>	<u>34,732,796</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(571,846)	(68,480)	-	(640,326)
Buildings and improvements	(3,121,633)	(596,687)	-	(3,718,320)
Furniture, fixtures and equipment	(1,426,206)	(171,720)	35,640	(1,562,286)
Vehicles	(1,117,874)	(56,261)	57,033	(1,117,102)
Total accumulated depreciation	<u>(6,237,559)</u>	<u>(893,148)</u>	<u>92,673</u>	<u>(7,038,034)</u>
Governmental activities capital assets, net	<u>\$ 28,541,453</u>	<u>\$ (539,662)</u>	<u>\$ (3,847)</u>	<u>\$ 27,997,944</u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 287,910
Special	35,508
Vocational	17,226

Support services:

Pupil	78,570
Instructional staff	34,166
Administration	49,125
Fiscal	4,262
Business	3,862
Operations and maintenance	96,613
Pupil transportation	56,253
Central	60,330
Food service operations	68,762
Extracurricular	<u>100,561</u>
Total depreciation expense	<u><u>\$ 893,148</u></u>

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 2014, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
2002 School Improvement Bonds					
24.56% - Original Issue of Capital					
Appreciation Bonds \$204,992	\$ 24,461	\$ -	\$ (24,461)	\$ -	\$ -
Accretion on Capital Appreciation Bonds	287,260	38,279	(325,539)	-	-
2007 School Improvement Refunding Bonds					
4.00-4.25% - Serial Bonds \$3,450,000	2,715,000	-	(150,000)	2,565,000	-
4.25-4.50% - Term Bonds \$6,020,000	6,020,000	-	-	6,020,000	-
11.85-11.98% - Original Issue on Capital					
Appreciation Bonds \$744,998	744,998	-	-	744,998	217,915
Accretion on Capital Appreciation Bonds	771,956	186,293	-	958,249	312,085
Premium on Debt Issue	421,498	-	(24,794)	396,704	-
2009 School Improvement Bonds					
2.50% - Serial Bonds \$1,120,000	670,000	-	(160,000)	510,000	165,000
4.00-5.13% - Term Bonds \$5,355,000	5,355,000	-	-	5,355,000	-
14.96-14.98% - Original Issue on Capital					
Appreciation Bonds \$99,997	99,997	-	-	99,997	-
Accretion on Capital Appreciation Bonds	80,090	26,958	-	107,048	-
Premium on Debt Issue	72,073	-	(2,902)	69,171	-
Compensated absences	<u>1,258,945</u>	<u>196,684</u>	<u>(439,089)</u>	<u>1,016,540</u>	<u>175,223</u>
Total long-term obligations, governmental activities	<u>\$ 18,521,278</u>	<u>\$ 448,214</u>	<u>\$ (1,126,785)</u>	<u>\$ 17,842,707</u>	<u>\$ 870,223</u>

The 2002 capital appreciation bonds issued at \$204,992 were not subject to prior redemption. The capital appreciation bonds matured in fiscal years 2010 through 2014, with a maturity amount of \$350,000 each fiscal year. There are no further obligations on this debt issuance.

The 2007 School Improvement Refunding Bonds were issued March 29, 2007, for the purpose of advance refunding the \$8,215,000 outstanding School Improvement Bonds. The net proceeds of the 2007 bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. A portion of the proceeds were used to pay off a \$2,000,000 note.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The Current Interest Refunding Bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Sinking Fund Redemption Date	Principal Amount to be Redeemed	Maturity Date	Principal at Maturity
12/1/2020	\$605,000	12/1/2021	\$640,000
12/1/2023	\$700,000	12/1/2024	\$735,000

Unless otherwise called for redemption, the principal amount on the bonds is to be paid at stated maturity.

The Current Interest Refunding Bonds due December 1, 2029 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Date	Principal Amount to be Redeemend
2026	\$805,000
2027	\$840,000
2028	\$875,000

Unless otherwise called for redemption, the remaining \$820,000 principal amount of the Bonds due December 1, 2029 is to be paid at stated maturity.

The Current Interest Refunding Bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after June 1, 2017 at par, which is 100 percent of the face value of the Current Interest Refunding Bonds.

If fewer than all of the outstanding Current Interest Refunding Bonds of a single maturity are called for redemption, the selection of the Current Interest Refunding Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar (as hereinafter defined) in any manner which the Paying Agent and Registrar may determine. In the case of a partial redemption of Current Interest Refunding Bonds when Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Current Interest Refunding Bond of the denomination of \$5,000. If one or more, but not all, of such \$5,000 units of face value represented by a Current Interest Refunding Bond are to be called for redemption, then upon notice of redemption of a \$5,000 unit or units, the registered holder of that Bond shall surrender the Current Interest Refunding Bond to the Paying Agent and Registrar (a) for payment of the redemption price for the \$5,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium) and (b) for issuance, without change to the registered holder thereof, of a new Current Interest Refunding Bond or Bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmaturing and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Current Interest Refunding Bonds surrendered.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The 2007 capital appreciation bonds issued at \$744,998 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 thru 2018, with a maturity amount of \$530,000 in fiscal years 2015 through 2017, and \$540,000 in fiscal year 2018. For fiscal year 2014, the capital appreciation bonds were accreted \$958,249.

The 2009 School Improvement Bonds were issued April 29, 2009, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, and site improvements.

The Current Interest Bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Sinking Fund Redemption Date	Principal Amount to be Redeemed	Maturity Date	Principal at Maturity
12/1/2019	\$180,000	12/1/2020	\$190,000
12/1/2021	\$195,000	12/1/2022	\$210,000
12/1/2023	\$215,000	12/1/2024	\$225,000
12/1/2025	\$235,000	12/1/2026	\$245,000
12/1/2027	\$255,000	12/1/2028	\$270,000
12/1/2029	\$285,000	12/1/2030	\$300,000
12/1/2031	\$315,000	12/1/2032	\$330,000

Unless otherwise called for redemption, the principal amount on the bonds is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2037 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2033 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Date	Principal Amount to be Redeemend
2033	\$345,000
2034	\$360,000
2035	\$380,000
2036	\$400,000

Unless otherwise called for redemption, the remaining \$420,000 principal amount of the Current Interest Bonds due December 1, 2037 is to be paid at stated maturity.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

If fewer than all of the outstanding Current Interest Bonds of a single maturity are called for redemption, the selection of the Current Interest Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar (as hereinafter defined) in any manner which the Paying Agent and Registrar may determine. In the case of a partial redemption of Current Interest Bonds when Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Current Interest Bond of the denomination of \$5,000. If one or more, but not all, of such \$5,000 units of face value represented by a Current Interest Bond are to be called for redemption, then upon notice of redemption of a \$5,000 unit or units, the registered holder of that Bond shall surrender the Current Interest Bond to the Paying Agent and Registrar (a) for payment of the redemption price for the \$5,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium) and (b) for issuance, without change to the registered holder thereof, of a new Current Interest Bond or Bonds of the same series, of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Current Interest Bonds surrendered.

The 2009 capital appreciation bonds issued at \$99,997 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018 and 2019, with a maturity amount of \$180,000 during both fiscal years. For fiscal year 2014, the capital appreciation bonds were accreted \$107,048.

Compensated absences will be paid from the general fund and food service fund (a nonmajor governmental fund).

The following table provides a summary of the District's future obligation for the general obligation bonds:

Fiscal Year Ending	<u>2007 School Improvement Refunding Bonds</u>						
	<u>June 30,</u>	<u>Serial and Term Bonds</u>			<u>Capital Appreciation Bonds</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 369,711	\$ 369,711	\$ 217,915	\$ 312,085	\$ 530,000	
2016	-	369,711	369,711	194,584	335,416	530,000	
2017	-	369,711	369,711	173,848	356,152	530,000	
2018	-	369,711	369,711	158,651	381,349	540,000	
2019	555,000	358,610	913,610	-	-	-	
2020 - 2024	3,190,000	1,418,886	4,608,886	-	-	-	
2025 - 2029	4,020,000	648,936	4,668,936	-	-	-	
2030	820,000	18,450	838,450	-	-	-	
Total	\$ 8,585,000	\$ 3,923,726	\$ 12,508,726	\$ 744,998	\$ 1,385,002	\$ 2,130,000	

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	2009 School Improvement Bonds					
	Serial and Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 165,000	\$ 264,948	\$ 429,948	\$ -	\$ -	\$ -
2016	170,000	259,923	429,923	-	-	-
2017	175,000	254,530	429,530	-	-	-
2018	-	251,686	251,686	53,523	126,477	180,000
2019	-	251,686	251,686	46,474	133,526	180,000
2020 - 2024	990,000	1,162,922	2,152,922	-	-	-
2025 - 2029	1,230,000	930,897	2,160,897	-	-	-
2030 - 2034	1,575,000	604,288	2,179,288	-	-	-
2035 - 2038	<u>1,560,000</u>	<u>165,025</u>	<u>1,725,025</u>	-	-	-
Total	<u>\$ 5,865,000</u>	<u>\$ 4,145,905</u>	<u>\$ 10,010,905</u>	<u>\$ 99,997</u>	<u>\$ 260,003</u>	<u>\$ 360,000</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014 are a voted debt margin of \$4,872,840, including available funds of \$1,682,801, and an unvoted debt margin of \$205,389.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, along with other Districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual District enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the Hylant Administrative Services, LLC (See Note 17). The District contracts for property, fleet, inland marine coverage, crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the last fiscal year.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - RISK MANAGEMENT - (Continued)

Workers' Compensation

For fiscal year 2014, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

Medical Benefits

For fiscal year 2014, the District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a public entity shared risk pool consisting of 55 Districts (Note 17). The District pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$176,653, \$170,927 and \$165,133, respectively; 81.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$668,389, \$638,671 and \$642,141, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$14,630 made by the District and \$11,495 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$24,377, \$21,515 and \$34,405, respectively; 81.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$10,249, \$9,655 and \$9,752, respectively; 81.46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$51,415, \$49,129 and \$49,395, respectively; 83.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation, personal leave, sick leave, and compensatory time components are derived from negotiated agreements and State laws. Classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation or compensatory time. Personal leave is accrued at three days per fiscal year for all employees under contract for a full school year. Unused personal leave accumulates to a maximum of five days. Unused personal leave accumulation over five days may be converted to sick leave, cashed out, or donated to a sick leave bank. Accumulated, unused personal time is not paid upon termination of employment. Employees may be granted compensatory time for hours worked outside their regular business day. Unused compensatory time accumulates to a maximum of 240 hours and any accumulated, unused balance is paid out upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 324 days for all certified employees and 300 days for all classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed 314 days for certified employees and 290 days for classified employees.

Special Termination Benefits

During a prior fiscal year, the District entered into an agreement which offered employees who were eligible to retire as of June 20, 2013 an early retirement incentive. Eligible employees would receive up to \$40,000, plus an amount equivalent to the employees applicable contractual sick leave pay. As of June 30, 2014, all remaining incentives have been paid.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)

Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through the Sun Life Assurance Company of Canada. Medical/surgical benefits are provided by Anthem through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) (Note 17). The District also provides dental insurance through Delta Dental and vision insurance through Vision Insurance Plan to all eligible employees.

Deferred Compensation Plan

District employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

125 Plan

The District provides its full-time employees, except those employed on an as needed basis, an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that benefit year. Any monies not used by the end of the plan year are forfeited to the District. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each benefit year beginning October 1 and ending September 30. This plan has been included as an Agency Fund and is administered by Horace Mann.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 527,475
Net adjustment for revenue accruals	65,382
Net adjustment for expenditure accruals	311,104
Net adjustment for other sources/uses	(45,393)
Funds budgeted elsewhere	(5,815)
Adjustment for encumbrances	155,223
GAAP basis	\$ 1,007,976

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and public school support fund.

NOTE 15 - CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	207,955
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(240,947)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (32,992)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During fiscal years 2002 and 2009, the District issued \$9,999,992 and \$6,574,997, respectively, in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$16,574,989 at June 30, 2014.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND
PUBLIC ENTITY RISK SHARING POOL**

Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association:

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. The District paid MDECA \$94,052 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council:

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2014, the District did not make any payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan:

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**MIAMI EAST LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS AND PUBLIC ENTITY RISK SHARING POOL - (Continued)

Ohio School Plan:

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust:

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical/surgical, dental, vision, life, and accidental death and dismemberment insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 48,142
Other governmental	<u>171,484</u>
Total	<u>\$ 219,626</u>

Miami East Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Year</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	10.555	2014	32,083	32,083
<i>Cash Assistance</i>				
National School Lunch Program	10.555	2014	<u>102,127</u>	<u>102,127</u>
<i>Total Child Nutrition Cluster</i>			<u>134,210</u>	<u>134,210</u>
Total U.S. Department of Agriculture			<u>134,210</u>	<u>134,210</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
<i>Title I Grants to Local Educational Agencies</i>				
	84.010	2014	84,346	83,399
		2013	<u>112,727</u>	<u>44,241</u>
<i>Total Title I Grants To Local Educational Agencies</i>			<u>197,073</u>	<u>127,640</u>
<i>Special Education Cluster:</i>				
<i>Special Education - Grants to States</i>				
	84.027	2014	204,726	204,726
		2013	-	<u>1,064</u>
<i>Total Special Education - Grants to States</i>			204,726	205,790
IDEA Preschool	84.173	(1)	<u>5,038</u>	<u>5,038</u>
<i>Total Special Education Cluster</i>			<u>209,764</u>	<u>210,828</u>
Improving Teacher Quality	84.367	2013	28,773	28,773
<i>Race to the Top - ARRA</i>				
	84.395	2014	39,712	39,712
		2013	-	<u>1,238</u>
<i>Total Race to the Top - ARRA</i>			<u>39,712</u>	<u>40,950</u>
Total U.S. Department of Education			<u>475,322</u>	<u>408,191</u>
TOTAL FEDERAL AWARDS			\$ <u>609,532</u>	\$ <u>542,401</u>

(1) - Passed Through Miami County Educational Service Center

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Miami East Local School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2014, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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

INDEPENDENT AUDITORS' 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

Board of Education
Miami East Local School District
3825 North State Route 589
Casstown, Ohio 45312

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami East Local School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 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. A significant deficiency is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 30, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Miami East Local School District
3825 North State Route 589
Casstown, Ohio 45312

Report on Compliance for Each Major Federal Program

We have audited the Miami East Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2014.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 30, 2014

Miami East Local School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Noted
Noncompliance material to financial statements noted?	None Noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None Noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Noted

Type of auditors’ report issued on compliance for major programs:	Unmodified
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Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
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Identification of major programs:

Special Education Cluster
 CFDA 84.027 – IDEA B
 CFDA 84.173 – IDEA Preschool

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

None Noted

Section III – Federal Awards Findings and Questioned Costs

Finding 2014-001

Program: Race to the Top – ARRA

CFDA #: 84.395

Grant Year: 2014

Federal Agency: U.S. Department of Education

Pass-through Agency: Ohio Department of Education

Criteria: Period of Availability - 2 CFR section 215.28 states in part “Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.”

Condition: One federal grant expenditure tested as part of the audit was, in part, to pay for internet access for a period which exceeded the period of availability for the grant.

Questioned Costs: We have determined that \$11,566 of the grant expenditure is considered services rendered/received outside of the period of availability and therefore a questioned cost.

Context: As a result of our auditing procedures performed on the District's financial statements, we determined the District utilized Race to the Top Grant funding to install and provide wireless internet services throughout the District's school buildings. These costs were comprised of installation costs (equipment and labor) as well as the necessary internet service. The internet service portion was for a forty-eight month period of time, beginning May 28, 2014 and ending May 27, 2018, with a total cost of \$12,593. Since the grant period ended as of September 23, 2014 any services provided after the grant period ended, as part of the original costs, would be considered outside of the period of availability. Allocating the total internet service costs (total costs divided by number of days of service) indicated that \$1,027 was for service from May 28, 2014 to September 23, 2014 and the remaining \$11,566 was for service from September 24, 2014 to May 27, 2018.

Cause/Effect: The District worked with its local computer consortium to provide wireless internet service throughout the District. During these negotiations certain inconsistencies existed between documentation from the company performing the installation and the final invoicing from the computer consortium. The District had the understanding the contract it entered into was for installation of the necessary equipment only. However the final invoice was for installation of equipment and prepayment of the necessary internet access.

Recommendation: While there were certain inconsistencies in the type of services to be provided in the various documents provided to the District in conjunction with this project, responsibility of ensuring compliance with applicable grant requirements ultimately remains with the District. The District should review each invoice, prior to payment, to ensure compliance with all grant regulations and requirements, including period of availability.

Management Response: *Miami East Local School District will thoroughly review each contract paid for by grant funds to ensure that the services rendered would be considered within the period of availability.*

Section IV – Summary of Prior Audit Findings and Questioned Costs

None Reported



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.



Dave Yost • Auditor of State

MIAMI EAST LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2015**