



MIAMI TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2014

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Miami Trace Local School District
3818 State Route 41 NW
Washington Court House, OH 43160

We have reviewed the *Independent Auditors' Report* of the Miami Trace Local School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 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 Trace Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 5, 2015

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 3	
Management's Discussion and Analysis.....	4 - 12	
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position.....	13	
Statement of Activities	14	
Fund Financial Statements		
Balance Sheet – Governmental Funds	15 - 16	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17 - 18	
Statement of Fiduciary Net Position – Fiduciary Funds.....	19	
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	20	
Notes to Basic Financial Statements.....	21 - 43	
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) - General Fund.....		45
Notes to the Required Supplementary Information	46 - 47	
Additional Information:		
Schedule of Expenditures of Federal Awards	48	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49 - 50	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133.....	51 - 52	
Schedule of Findings and Questioned Costs.....	53	

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

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 Trace Local School District (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School 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 general 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 auditors' 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.

one east fourth street, suite 1200
cincinnati, OH 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2014, the School District adopted the provisions of Governmental Accounting Standards Board Statement No, 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 12 and 45 through 47, 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 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 Miami Trace Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of Miami Trace Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Miami Trace Local School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2014

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

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

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities decreased \$10,434 which represents a less than 1% decrease from 2013.
- General revenues accounted for \$24,677,519 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,424,946 or 21% of total revenues of \$31,102,465.
- The District had \$31,112,899 in expenses related to governmental activities; \$6,424,946 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$24,677,519 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net 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. The General and Debt Service Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answers this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

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

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

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

Fund Financial Statements

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

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

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

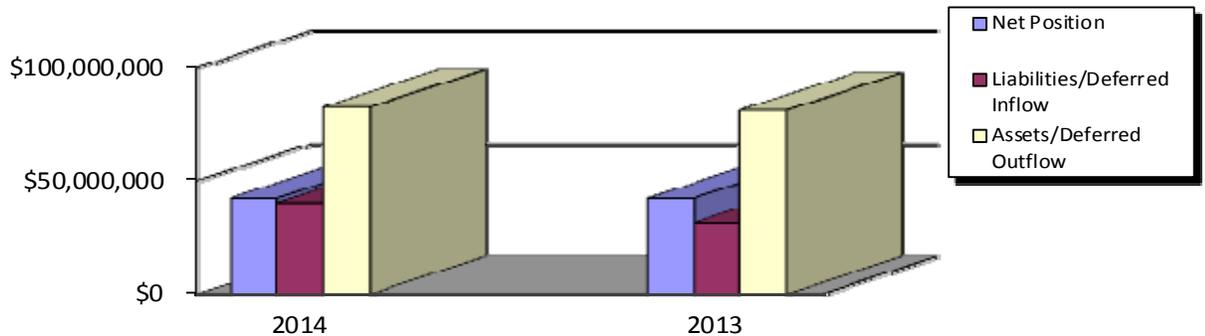
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013:

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 1
Net Position

	Governmental Activities	
	2014	2013 Restated
Assets:		
Current and Other Assets	\$35,129,039	\$33,461,326
Capital Assets	45,978,472	47,797,463
Total Assets	81,107,511	81,258,789
Total Deferred Outflows of Resources	1,524,695	1,131,869
Liabilities:		
Other Liabilities	3,163,364	3,066,912
Long-Term Liabilities	28,338,099	28,371,093
Total Liabilities	31,501,463	31,438,005
Total Deferred Inflows of Resources	8,788,123	8,599,599
Net Position:		
Net Investment in Capital Assets	20,435,167	21,749,816
Restricted	6,259,018	5,880,155
Unrestricted	15,648,435	14,723,083
Total Net Position	\$42,342,620	\$42,353,054



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42,342,620.

At year-end, capital assets represented 57% of total assets. Capital assets include land, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2014, was \$20,435,167. 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

Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$6,259,018, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due to an increase in cash and investments, which was mainly due to an increase in charges for service and operating grant receipts. Capital Assets for the District decreased mainly due to current year depreciation expense exceeding current year additions. Long-Term Liabilities decreased mainly due to the District making scheduled debt payments.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services	\$3,104,901	\$2,621,302
Operating Grants and Contributions	3,320,045	3,102,933
General Revenues:		
Property Taxes	13,557,910	14,065,572
Grants and Entitlements	10,278,086	10,120,073
Other	841,523	667,284
Total Revenues	<u>31,102,465</u>	<u>30,577,164</u>
Program Expenses:		
Instruction	16,625,838	15,099,542
Support Services:		
Pupil and Instructional Staff	2,806,350	3,001,644
School Administrative, General		
Administration, Fiscal and Business	3,642,252	3,447,802
Operations and Maintenance	2,529,777	2,437,712
Pupil Transportation	2,418,827	2,521,206
Central	139,190	141,564
Operation of Non-Instructional Services	1,158,275	1,130,160
Extracurricular Activities	603,159	533,770
Interest and Fiscal Charges	1,189,231	1,442,889
Total Program Expenses	<u>31,112,899</u>	<u>29,756,289</u>
Change in Net Position	(10,434)	820,875
Net Position - Beginning of Year, Restated	<u>42,353,054</u>	<u>41,532,179</u>
Net Position - End of Year	<u>\$42,342,620</u>	<u>\$42,353,054</u>

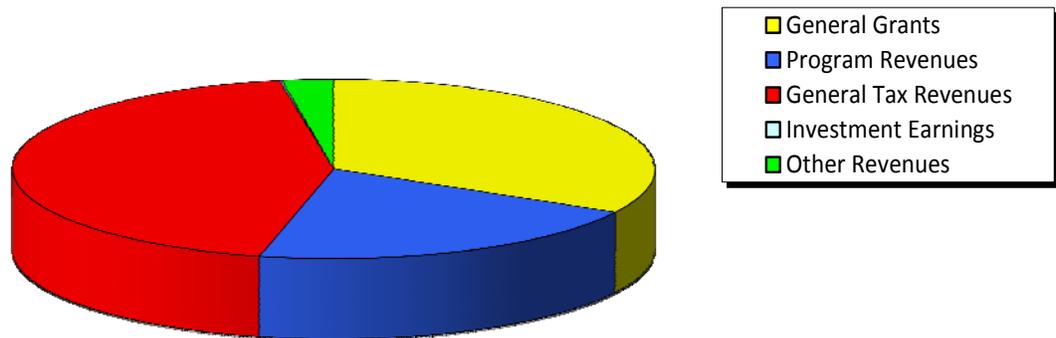
**Miami Trace Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The District revenues are mainly from two sources. Property taxes levied for general, classroom maintenance, debt service purposes, and capital projects purposes and grants and entitlements comprised 77% of the District’s revenues for governmental activities.

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

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 44% of revenue for governmental activities for the District in fiscal year 2014.

	2014	Percentage
General Grants	\$10,278,086	33.05%
Program Revenues	6,424,946	20.66%
General Tax Revenues	13,557,910	43.59%
Investment Earnings	36,385	0.12%
Other Revenues	805,138	2.58%
	<u>\$31,102,465</u>	<u>100.00%</u>



Instruction comprises 54% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expenses including interest expense were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Charges for Services increased mainly due to an increase in collections for tuition and fees throughout the District. Instruction expense increased in 2014 due to increases in personnel costs and general inflationary factors.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013 Restated	2014	2013 Restated
Instruction	\$16,625,838	\$15,099,542	(\$12,444,234)	(\$11,562,419)
Support Services:				
Pupil and Instructional Staff	2,806,350	3,001,644	(2,356,317)	(2,589,683)
School Administrative, General				
Administration, Fiscal and Business	3,642,252	3,447,802	(3,494,461)	(3,292,897)
Operations and Maintenance	2,529,777	2,437,712	(2,465,669)	(2,368,516)
Pupil Transportation	2,418,827	2,521,206	(2,303,864)	(2,408,355)
Central	139,190	141,564	(133,790)	(136,164)
Operation of Non-Instructional Services	1,158,275	1,130,160	(39,834)	(30,604)
Extracurricular Activities	603,159	533,770	(260,553)	(200,527)
Interest and Fiscal Charges	1,189,231	1,442,889	(1,189,231)	(1,442,889)
Total Expenses	<u>\$31,112,899</u>	<u>\$29,756,289</u>	<u>(\$24,687,953)</u>	<u>(\$24,032,054)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the major funds comprised \$29,663,854 (84%) of the total \$35,129,039 governmental fund assets.

General Fund: Fund balance at June 30, 2014 was \$14,705,663, an increase in fund balance of \$134,275 from 2013. The fund balance increased during the fiscal year due to an increase in intergovernmental revenue.

Debt Service Fund: Fund balance at June 30, 2014 was \$3,554,632, an increase in fund balance of \$244,795. The fund balance increased during the fiscal year due to a decrease in interest and fiscal charges expenditures.

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 when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, final budgeted basis revenue was \$24,975,811, compared to original budgeted estimates of \$23,756,992. Of the \$1,218,819 difference, most was due to conservative estimates for tax and intergovernmental revenue. Actual budget basis revenue was \$25,672,165, compared to final budgeted basis revenue was \$24,975,811. Of the \$696,354 difference, most was due to conservative estimates for tax and intergovernmental revenue. Actual budget basis expenditures were \$24,170,163, compared to final budgeted basis expenditures of \$24,276,990. Of the \$106,827 difference, most was due to overestimates in instruction expenditures. Final budgeted basis expenditures were \$24,276,990, compared to original budgeted basis expenditures of \$22,589,739. Of the \$1,687,251 difference, most was due to underestimates in instruction expenditures.

The General Fund's ending unobligated cash balance was \$8,441,211.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$45,978,472 invested in land, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$73,840	\$73,840
Land Improvements	457,949	519,997
Buildings and Improvements	43,405,055	45,263,273
Equipment	<u>2,041,628</u>	<u>1,940,353</u>
Total Net Capital Assets	<u><u>\$45,978,472</u></u>	<u><u>\$47,797,463</u></u>

The decrease in capital assets from the prior year is due to current fiscal year depreciation expense exceeding current year additions.

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

Debt

At June 30, 2014, the District had \$27,382,824 in bonds payable, \$830,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2014	2013 Restated
General Obligation Bonds:		
2006 Bond Issue	\$820,000	\$6,130,000
2008 School Improvement Bonds:		
Current Interest	8,250,000	8,475,000
Capital Appreciation - Principal	76,401	76,401
Capital Appreciation - Interest	159,382	119,007
Premium	17,055	17,796
2009 School Improvement Bonds:		
Current Interest	2,455,000	2,450,000
Capital Appreciation - Principal	34,999	34,999
Capital Appreciation - Interest	120,251	86,117
2013 School Improvement Bonds:		
Current Interest	9,240,000	9,255,000
Capital Appreciation - Principal	54,994	54,994
Capital Appreciation - Interest	32,733	0
Premium	652,691	685,326
2014 School Improvement Bonds:		
Current Interest	4,930,000	0
Capital Appreciation - Principal	4,995	0
Capital Appreciation - Interest	2,458	0
Premium	541,865	0
	<u>\$27,392,824</u>	<u>\$27,384,640</u>

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

For the Future

Historically, District operations were funded nearly equal from local tax dollars and the state funding system. However, the ratio has changed. The majority of district operations are now funded by local tax dollars.

Since tax year 2009, the District has experienced a significant increase in property valuation due to the addition of a pipeline as well as the sale of commercial property and property revaluation. A second pipeline is also being constructed, and its valuation is expected to be added effective with the 2014 or 2015 tax years.

The District benefited from a state funding guarantee in FY12 and FY13 and will continue to receive a guarantee funding level in FY14 and FY15. It is expected that after FY15 the state funding guarantee will

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

either cease or be phased-out. This will result in further change to the ratio of local tax dollars to state funding assistance.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 3818 SR 41 NW, Washington C. H., Ohio 43160 or e-mail at dblack@mveca.org.

This Space Intentionally Left Blank

Miami Trace Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,831,931
Restricted Cash and Investments	1,222,535
Equity in Pooled Cash and Investments with Fiscal Agent	2,063,873
Receivables (Net):	
Taxes	14,238,504
Accounts	14,183
Intergovernmental	744,119
Inventory	13,894
Nondepreciable Capital Assets	73,840
Depreciable Capital Assets, Net	<u>45,904,632</u>
 Total Assets	 <u>81,107,511</u>
 Deferred Outflows of Resources:	
Deferred Charge on Refunding	<u>1,524,695</u>
 Total Deferred Outflows of Resources	 <u>1,524,695</u>
 Liabilities:	
Accounts Payable	115,923
Accrued Wages and Benefits	2,710,356
Accrued Interest Payable	95,385
Claims Payable	241,700
Long-Term Liabilities:	
Due Within One Year	1,137,305
Due In More Than One Year	<u>27,200,794</u>
 Total Liabilities	 <u>31,501,463</u>
 Deferred Inflows of Resources:	
Property Taxes	8,354,719
Revenue in Lieu of Taxes	<u>433,404</u>
 Total Deferred Inflows of Resources	 <u>8,788,123</u>
 Net Position:	
Net Investment in Capital Assets	20,435,167
Restricted for:	
Debt Service	3,176,249
Capital Projects	70,802
Classroom Facilities Maintenance	2,401,424
Federal Grants	228,294
Food Service	318,869
Other Purposes	63,380
Unrestricted	<u>15,648,435</u>
 Total Net Position	 <u><u>\$42,342,620</u></u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$11,700,636	\$1,977,213	\$809,096	(\$8,914,327)
Special	2,666,212	297,699	922,310	(1,446,203)
Vocational	179,090	0	8,320	(170,770)
Other	2,079,900	0	166,966	(1,912,934)
Support Services:				
Pupil	1,757,778	0	283,588	(1,474,190)
Instructional Staff	1,048,572	0	166,445	(882,127)
General Administration	31,087	0	0	(31,087)
School Administration	2,666,325	0	144,597	(2,521,728)
Fiscal	803,000	0	3,194	(799,806)
Business	141,840	0	0	(141,840)
Operations and Maintenance	2,529,777	0	64,108	(2,465,669)
Pupil Transportation	2,418,827	41,979	72,984	(2,303,864)
Central	139,190	0	5,400	(133,790)
Operation of Non-Instructional Services	1,158,275	445,404	673,037	(39,834)
Extracurricular Activities	603,159	342,606	0	(260,553)
Interest and Fiscal Charges	1,189,231	0	0	(1,189,231)
Total Governmental Activities	31,112,899	3,104,901	3,320,045	(24,687,953)

General Revenues:

Property Taxes Levied for:

General Purposes	11,223,886
Capital Maintenance Purposes	325,221
Debt Service Purposes	1,580,675
Capital Projects Purposes	428,128
Grants and Entitlements, Not Restricted	10,278,086
Revenue in Lieu of Taxes	465,138
Investment Earnings	36,384
Other Revenues	340,001

Total General Revenues 24,677,519

Change in Net Position (10,434)

Net Position - Beginning of Year, Restated 42,353,054

Net Position - End of Year \$42,342,620

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$9,577,782	\$2,901,667	\$4,352,482	\$16,831,931
Restricted Cash and Investments	1,222,535	0	0	1,222,535
Equity in Pooled Cash and Investments with Fiscal Agent	2,063,873	0	0	2,063,873
Receivables (Net):				
Taxes	11,771,239	1,671,469	795,796	14,238,504
Accounts	14,069	0	114	14,183
Intergovernmental	387,057	54,163	302,899	744,119
Inventory	0	0	13,894	13,894
Total Assets	25,036,555	4,627,299	5,465,185	35,129,039
Liabilities:				
Accounts Payable	80,821	0	35,102	115,923
Accrued Wages and Benefits	2,457,005	0	253,351	2,710,356
Compensated Absences	48,433	0	0	48,433
Claims Payable	241,700	0	0	241,700
Total Liabilities	2,827,959	0	288,453	3,116,412
Deferred Inflows of Resources:				
Property Taxes	7,122,282	1,018,504	484,093	8,624,879
Grants	11,000	0	142,328	153,328
Revenue in Lieu of Taxes	369,651	54,163	9,590	433,404
Total Deferred Inflows of Resources	7,502,933	1,072,667	636,011	9,211,611
Fund Balances:				
Restricted	0	3,554,632	2,961,312	6,515,944
Committed	1,222,535	0	1,579,409	2,801,944
Assigned	2,132,130	0	0	2,132,130
Unassigned	11,350,998	0	0	11,350,998
Total Fund Balances	14,705,663	3,554,632	4,540,721	22,801,016
Total Liabilities, Deferred Inflows and Fund Balances	\$25,036,555	\$4,627,299	\$5,465,185	\$35,129,039

See accompanying notes to the basic financial statements.

Miami Trace Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$22,801,016

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 45,978,472

Other long-term assets are not available to pay for current-
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	\$270,160	
Intergovernmental	<u>153,328</u>	
		423,488

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (95,385)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (906,842)

Deferred outflows of resources associated with long-term liabilities
 are not reported in the funds. 1,524,695

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (27,382,824)

Net Position of Governmental Activities \$42,342,620

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$11,596,035	\$1,633,925	\$777,755	\$14,007,715
Tuition and Fees	2,230,211	0	0	2,230,211
Investment Earnings	19,240	6,399	10,745	36,384
Intergovernmental	11,169,537	166,697	2,244,080	13,580,314
Extracurricular Activities	125,426	0	299,284	424,710
Charges for Services	7,565	0	444,182	451,747
Revenue in Lieu of Taxes	402,738	0	0	402,738
Other Revenues	259,242	61,972	73,524	394,738
Total Revenues	25,809,994	1,868,993	3,849,570	31,528,557
Expenditures:				
Current:				
Instruction:				
Regular	10,168,244	0	431,588	10,599,832
Special	2,252,160	0	222,891	2,475,051
Vocational	82,129	0	0	82,129
Other	1,902,520	0	160,149	2,062,669
Support Services:				
Pupil	1,377,065	0	250,364	1,627,429
Instructional Staff	805,026	0	182,030	987,056
General Administration	31,087	0	0	31,087
School Administration	2,275,419	0	157,955	2,433,374
Fiscal	713,623	49,005	30,949	793,577
Business	139,782	0	0	139,782
Operations and Maintenance	2,229,932	0	223,931	2,453,863
Pupil Transportation	2,163,623	0	303,614	2,467,237
Central	133,790	0	5,400	139,190
Operation of Non-Instructional Services	94,708	0	1,071,083	1,165,791
Extracurricular Activities	283,680	0	296,111	579,791
Capital Outlay	35,586	0	30,844	66,430
Debt Service:				
Principal Retirement	0	620,000	0	620,000
Interest and Fiscal Charges	0	955,193	0	955,193
Bond Issuance Cost	0	103,785	0	103,785
Total Expenditures	24,688,374	1,727,983	3,366,909	29,783,266
Excess of Revenues Over Expenditures	1,121,620	141,010	482,661	1,745,291
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	12,655	0	0	12,655
Issuance of Refunded Bonds	0	4,934,995	0	4,934,995
Payments to Bond Escrow Account	0	(5,422,335)	0	(5,422,335)
Premium on Bonds Sold	0	591,125	0	591,125
Transfers In	0	0	1,000,000	1,000,000
Transfers (Out)	(1,000,000)	0	0	(1,000,000)
Total Other Financing Sources (Uses)	(987,345)	103,785	1,000,000	116,440
Net Change in Fund Balance	134,275	244,795	1,482,661	1,861,731
Fund Balance - Beginning of Year	14,571,388	3,309,837	3,058,060	20,939,285
Fund Balance - End of Year	\$14,705,663	\$3,554,632	\$4,540,721	\$22,801,016

See accompanying notes to the basic financial statements.

Miami Trace Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 for the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds		\$1,861,731
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	\$487,828	
Depreciation Expense	<u>(2,278,554)</u>	(1,790,726)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(28,265)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(\$449,804)	
Intergovernmental	<u>23,712</u>	(426,092)
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.		
Premium on Bonds Issued	(\$591,125)	
Deferred Amount on Refunding	487,335	
Refunding Bonds	(4,934,995)	
Bonds Refunded	<u>4,935,000</u>	(103,785)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		620,000
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		(8,680)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(\$13,044)	
Amortization of Bond Premium	82,636	
Amortization of Deferred Charge on Refunding	(94,509)	
Bond Accretion	<u>(109,700)</u>	(134,617)
Change in Net Position of Governmental Activities		<u><u>(\$10,434)</u></u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$459,718	\$82,927
Receivables (Net):		
Accounts	<u> 0</u>	<u> 286</u>
Total Assets	<u> 459,718</u>	<u> 83,213</u>
Liabilities:		
Accounts Payable	0	1,059
Other Liabilities	<u> 0</u>	<u> 82,154</u>
Total Liabilities	<u> 0</u>	<u> \$83,213</u>
Net Position:		
Held in Trust	<u> 459,718</u>	
Total Net Position	<u> \$459,718</u>	

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Donations	\$86,441
Investment Earnings	895
Total Additions	<u>87,336</u>
Deductions:	
Scholarships	<u>41,901</u>
Total Deductions	<u>41,901</u>
Change in Net Position	45,435
Net Position - Beginning of Year	<u>414,283</u>
Net Position - End of Year	<u><u>\$459,718</u></u>

See accompanying notes to the basic financial statements.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 1 - Description of the District

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

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The District's geographical size ranks among the top five in Ohio. At the present time, approximately 2,500 students attend one elementary school, one middle school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's instructional and support facilities staffed by 127 non-certificated personnel and 189 certificated teaching and administrative personnel to provide services to students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

and financial reporting principles. The most significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, 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. Fiduciary Funds are not included in government-wide statements.

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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, liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources for the District only include a deferred charge on the refunding on its bonds.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and revenue in lieu of taxes. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts and revenue in lieu of taxes have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

Expenses/Expenditures

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

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

Equity In Pooled Cash Investments

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

The District participates in a self funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2014 is presented as "Equity in Pooled Cash and Investments with Fiscal Agent" on the balance sheet.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 amounted to \$19,240 for the General Fund, \$6,399 for the Debt Service Fund, and \$10,745 for Other Governmental Funds.

Inventory

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

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	10-20 days for each service year depending on length of service	10-20 days for each service year depending on length of service
Maximum Accumulation for Retirement Payout	Not Eligible	3 years accrual	40 days
Vested	Not Eligible	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	229 days	Per Contract Days	219 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$6,259,018 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net position. There were no interfund receivables or interfund payables during the fiscal year.

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

Fund Balance

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

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

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

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education. Formal action by the Board of Education is needed to commit or rescind resources.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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

The District considers restricted, committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

During fiscal year 2014 the Board of Education passed a two-part fiscal policy that stated:

- Reservation of Fund Balance for Fiscal Stabilization at fiscal year-end pursuant to O.R.C. Section 5705.13 equal to 5% of prior fiscal year general fund revenues (excluding other financing sources). This reservation total includes the currently established Budget Reserve Fund 001/9991 and Budget Reserve – Health Insurance Fund 001/9108. Further, amendment of the reservation requires board action. Funds can only be spent on health insurance. The balance for these funds/cost centers for fiscal year 2014 is \$1,222,535.
- Fiscal policy to maintain a minimum carryover balance for the succeeding fiscal year an unencumbered and unassigned general fund balance equal to two months of prior fiscal year average monthly general fund expenditures (excluding other financing uses). Further, amendment of this policy requires board action.

Restricted Assets

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stabilization for health and prescription drug benefits for the District.

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

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

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

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

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2014, \$9,552,054 of the District’s bank balance of \$17,020,109 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

The District participates in a self-funded health insurance program that pays employees health insurance claims on the District’s behalf. The balance of the District’s funds held by the claims administrator and the fiscal agent at June 30, 2014 was \$2,063,873 (presented as “Equity in Pooled Cash and Investments with Fiscal Agent” on the balance sheet).

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

Investments

As of June 30, 2014, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	\$1,662,315	0.14

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

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

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 100% of the it’s investments in STAROhio.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 4 - Property Taxes

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Fayette County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The amount available as an advance at June 30, 2014, was \$4,648,957 in the General Fund, \$652,965 in the Debt Service Fund and \$311,703 in Other Governmental Funds.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$401,823,180
Public Utility Personal	<u>82,868,920</u>
Total	<u><u>\$484,692,100</u></u>

Note 5 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 6 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$73,840	\$0	\$0	\$73,840
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,233,610	0	162,800	1,070,810
Buildings and Improvements	55,478,345	0	36,594	55,441,751
Equipment	5,870,146	487,828	1,374,635	4,983,339
Totals at Historical Cost	<u>62,655,941</u>	<u>487,828</u>	<u>1,574,029</u>	<u>61,569,740</u>
Less Accumulated Depreciation:				
Land Improvements	713,613	58,122	158,874	612,861
Buildings and Improvements	10,215,072	1,845,311	23,687	12,036,696
Equipment	3,929,793	375,121	1,363,203	2,941,711
Total Accumulated Depreciation	<u>14,858,478</u>	<u>2,278,554</u>	<u>1,545,764</u>	<u>15,591,268</u>
Governmental Activities Capital Assets, Net	<u>\$47,797,463</u>	<u>(\$1,790,726)</u>	<u>\$28,265</u>	<u>\$45,978,472</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,091,762
Special	191,161
Vocational	101,824
Support Services:	
Pupil	136,036
Instructional Staff	70,206
School Administration	216,642
Fiscal	7,340
Business	2,202
Operations and Maintenance	175,359
Pupil Transportation	255,812
Operation of Non-Instructional Services	6,842
Extracurricular Activities	23,368
Total Depreciation Expense	<u>\$2,278,554</u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 7 - Long-Term Liabilities

	Maturity Dates	Restated Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2024	6,130,000	\$0	\$5,310,000 *	\$820,000	\$395,000
2008 School Improvement Bonds:						
Current Interest - 4.00-5.25%	12/01/2036	8,475,000	0	225,000	8,250,000	235,000
Capital Appreciation		76,401	0	0	76,401	0
Capital Appreciation Accreted Interest Premium		119,007	40,375	0	159,382	0
		17,796	0	741	17,055	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	2,450,000	0	5,000	2,445,000	5,000
Capital Appreciation		34,999	0	0	34,999	0
Capital Appreciation Accreted Interest Premium		86,117	34,134	0	120,251	0
2013 School Improvement Bonds:						
Current Interest - 1.00-4.00%	12/01/2033	9,255,000	0	15,000	9,240,000	75,000
Capital Appreciation		54,994	0	0	54,994	0
Capital Appreciation Accreted Interest Premium		0	32,733	0	32,733	0
		685,326	0	32,635	652,691	0
2014 School Improvement Bonds:						
Current Interest - 1.00-3.00%	12/01/2024	0	4,930,000	0	4,930,000	120,000
Capital Appreciation		0	4,995	0	4,995	0
Capital Appreciation Accreted Interest Premium		0	2,458	0	2,458	0
		0	591,125	49,260	541,865	0
Total Long Term Debt		27,384,640	5,635,820	5,637,636	27,382,824	830,000
Compensated Absences		986,453	303,051	334,229	955,275	307,305
Total Governmental Activities Long Term Liabilities		<u>\$28,371,093</u>	<u>\$5,938,871</u>	<u>\$5,971,865</u>	<u>\$28,338,099</u>	<u>\$1,137,305</u>

* - District made a \$375,000 principal payment and refunded \$4,935,000.

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

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

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$830,000	\$859,101	\$1,689,101	\$0	\$0	\$0
2016	795,000	826,764	1,621,764	27,535	562,465	590,000
2017	225,000	592,481	817,481	44,440	180,560	225,000
2018	600,000	584,420	1,184,420	52,898	332,102	385,000
2019	625,000	572,232	1,197,232	41,505	348,495	390,000
2020-2024	5,690,000	2,465,557	8,155,557	3,173	71,827	75,000
2025-2029	6,775,000	1,662,856	8,437,856	1,838	503,162	505,000
2030-2034	8,360,000	856,839	9,216,839	0	0	0
2035-2037	1,785,000	143,718	1,928,718	0	0	0
Total	<u>\$25,685,000</u>	<u>\$8,563,968</u>	<u>\$34,248,968</u>	<u>\$171,389</u>	<u>\$1,998,611</u>	<u>\$2,170,000</u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Note 8 – Advance Refunding

On March 6, 2014 the District issued \$4,930,000 in Current Interest Bonds with an interest rate between 1.00% and 3.00% and \$4,995 in Capital Appreciation Bonds all of which was used to partially advance refund \$4,935,000 of the outstanding 2006 General Obligation Bonds with an interest rate of 4.00%. The net proceeds of \$5,422,336 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the three bond issues. As a result, \$4,935,000 of the 2006 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The District advance refunded 2006 General Obligation Bonds to reduce its total debt service payments by \$179,019 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$161,533.

Note 9 - Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2014, \$9,805,000 of bonds outstanding are considered defeased.

Note 10 – Pension Plans

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate amount the four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The District required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$493,032, \$469,560, and \$485,088, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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

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

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

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

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

Plan members are required to contribute 11% of their annual covered salary and the District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,423,392, \$1,427,064, and \$1,412,808, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. The District's unpaid contractually required STRS contributions (including post employment benefits) at year end (the liability) were recorded in the accrued wages and benefits line item of the government-wide and fund financial statements along with various corresponding expenses/expenditures.

Social Security System

All associates not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2014, some members of the Board of Education have elected Social Security. The District' liability is 6.2% of wages paid.

Note 11 – Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

associates and their dependents through the School Employees Retirement System (SERS). Benefit

provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

State Teachers Retirement System

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District's contributions to STRS Ohio allocated to post-employment health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$101,671, \$101,933, and \$100,915, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

School Employees Retirement System

SERS administers two postemployment benefit plans:

Medicare Part B Plan -The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The District's contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$26,765, \$24,816, and \$25,987, respectively, which equaled the required contributions each year.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation was 0.14%.

An additional health care surcharge on employers is collected for associates earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for years ended June 30, 2014, 2013, and 2012 were \$4,930, \$5,366, and \$19,057, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

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

Note 12 - Contingent Liabilities

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all litigation would not materially affect the financial statements of the District.

Note 13 - Jointly Governed Organizations

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site used by the District. MVECA is an association of 25 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA \$142,046 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants. To obtain financial information write to the Center's fiscal agent, Southern Ohio Educational Service Center, 3321 Airborne Rd., Wilmington, OH 45177.

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board. Each district must appoint a representative to the Great Oaks board; the representative does not have to be a school board member, but must meet certain criteria per law. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has neither ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 14 - Risk Management

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

General liability insurance is maintained in the amount of \$15,000,000 for each occurrence and \$17,000,000 in the general aggregate. Other liability insurance includes \$15,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$78,136,994.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

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

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Employee Benefits Management Corporation (EBMC) to service the claims up to \$500,000 per individual. The District has a stop loss coverage insurance policy through OME-RESA which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with OME-RESA which covered individual claims in excess of \$75,000 up to \$500,000 per employee per year for medical claims.

The claims liability of \$241,700 reported in the general fund at June 30, 2014 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Balance
2013	\$387,599	\$3,144,631	(\$2,995,730)	\$536,500
2014	536,500	2,875,167	(3,169,967)	241,700

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

Note 15 - Set-Asides

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2014, the reserve activity (cash-basis) was as follows:

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

	Capital Maintenance Reserve
	<u> </u>
Balance as of June 30, 2013	\$0
Required Set-Aside	416,894
Qualifying Expenditures	(695,540)
Current Year Offsets	<u>(1,942,812)</u>
Balance as of June 30, 2014	<u><u>(\$2,221,458)</u></u>

Expenditures for capital activity during the year totaled \$695,540, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

Note 16 - Interfund Transactions

Interfund transactions at June 30, 2014, consisted of the following transfers in and transfers out:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund	\$0	\$1,000,000
Other Governmental Funds	<u>1,000,000</u>	<u>0</u>
	<u><u>\$1,000,000</u></u>	<u><u>\$1,000,000</u></u>

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

Note 17 – Fund Balances

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

This Space Intentionally Left Blank

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Local Grants	\$0	\$0	\$2,673	\$2,673
Classroom Facilities Maintenance	0	0	2,395,082	2,395,082
Student Activity	0	0	59,574	59,574
Miscellaneous State Grants	0	0	1,133	1,133
Race to the Top	0	0	35,365	35,365
Special Education	0	0	24,879	24,879
Title I	0	0	13,709	13,709
IDEA Preschool Grant	0	0	2,148	2,148
Improving Teacher Quality	0	0	2,334	2,334
Miscellaneous Federal Grants	0	0	16,170	16,170
Food Service	0	0	337,443	337,443
Debt Service Payments	0	3,554,632	0	3,554,632
Capital Projects	0	0	70,802	70,802
Total Restricted	0	3,554,632	2,961,312	6,515,944
Committed to:				
Health Insurance Budget Stabilization	1,222,535	0	0	1,222,535
Permanent Improvements	0	0	1,579,409	1,579,409
Total Committed	1,222,535	0	1,579,409	2,801,944
Assigned to:				
Encumbrances	915,431	0	0	915,431
Public School	52,052	0	0	52,052
Special Enterprises	41,962	0	0	41,962
Employee Benefits Self-Insurance	1,122,685	0	0	1,122,685
Total Assigned	2,132,130	0	0	2,132,130
Unassigned	11,350,998	0	0	11,350,998
Total Fund Balance	\$14,705,663	\$3,554,632	\$4,540,721	\$22,801,016

Note 18 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

Note 19 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2014

requires a restatement of prior period's net position as follows:

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$42,704,632
Prior Period Adjustment:	
Bond Issuance Costs	(351,578)
Restated Net Position - June 30, 2013	<u><u>\$42,353,054</u></u>

Note 20 – Subsequent Event

In August 2014, the District entered into a contract to purchase 59.987 acres in the amount of \$1,034,779. The land purchase was initiated for the purpose building a new high school.

In December, 2014, the District issued \$3,600,536 in refunding bonds at an interest rate between 1.00% and 4.00%, which partially refunded the 2008 and 2009 outstanding school improvement bonds.

In December, 2014, the District issued \$6,274,994 in refunding bonds at an interest rate between 1.00% and 4.00%, which refunded the remaining 2008 outstanding school improvement bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Miami Trace Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,769,265	\$11,321,766	\$11,637,430	\$315,664
Revenue in lieu of taxes	372,693	391,814	402,738	10,924
Tuition and Fees	2,062,636	2,168,457	2,228,916	60,459
Investment Earnings	16,029	16,851	17,321	470
Intergovernmental	10,332,477	10,862,570	11,165,431	302,861
Extracurricular Activities	1,473	1,549	1,592	43
Charges for Services and Sales	2,769	2,911	2,992	81
Other Revenues	199,650	209,893	215,745	5,852
Total Revenues	23,756,992	24,975,811	25,672,165	696,354
Expenditures:				
Current:				
Instruction:				
Regular	8,921,686	9,588,056	9,545,865	42,191
Special	1,973,333	2,120,723	2,111,391	9,332
Vocational	70,360	75,616	75,283	333
Other	1,776,065	1,908,721	1,900,322	8,399
Support Services:				
Pupil	1,177,395	1,265,336	1,259,768	5,568
Instructional Staff	717,081	770,640	767,249	3,391
General Administration	29,010	31,177	31,040	137
School Administration	2,250,865	2,418,984	2,408,340	10,644
Fiscal	677,022	727,590	724,388	3,202
Business	131,047	140,835	140,215	620
Operations and Maintenance	2,340,122	2,514,908	2,503,842	11,066
Pupil Transportation	2,083,241	2,238,841	2,228,989	9,852
Central	136,139	146,308	145,664	644
Extracurricular Activities	265,677	285,520	284,264	1,256
Capital Outlay	40,696	43,735	43,543	192
Total Expenditures	22,589,739	24,276,990	24,170,163	106,827
Excess of Revenues Over (Under) Expenditures	1,167,253	698,821	1,502,002	803,181
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	11,711	12,312	12,655	343
Transfers In	705,659	741,862	762,546	20,684
Transfers (Out)	(1,687,486)	(1,813,526)	(1,805,546)	7,980
Total Other Financing Sources (Uses)	(970,116)	(1,059,352)	(1,030,345)	29,007
Net Change in Fund Balance	197,137	(360,531)	471,657	832,188
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,969,554	7,969,554	7,969,554	0
Fund Balance - End of Year	\$8,166,691	\$7,609,023	\$8,441,211	\$832,188

See accompanying notes to the Required Supplementary Information.

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2014.

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

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

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

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

	Net Change in Fund Balance
	<u>General</u>
GAAP Basis	\$134,275
Revenue Accruals	(138,266)
Expenditure Accruals	1,506,447
Transfers In	762,546
Transfers (Out)	(805,546)
Encumbrances	(987,824)
Funds Budgeted Elsewhere	25
Budget Basis	<u><u>\$471,657</u></u>

This Space Intentionally Left Blank

Miami Trace Local School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 68,945	68,945
<i>Cash Assistance:</i>				
School Breakfast Program	006-000	10.553	143,404	143,404
National School Lunch Program	006-000	10.555	448,164	448,164
<i>Cash Assistance Subtotal</i>			<u>591,568</u>	<u>591,568</u>
Nutrition Cluster Total			<u>660,513</u>	<u>660,513</u>
Total U.S. Department of Agriculture			<u>660,513</u>	<u>660,513</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I:				
Title I Grants to Local Educational Agencies	572-9013	84.010	52,007	59,253
Title I Grants to Local Educational Agencies	572-9014	84.010	489,574	463,654
			<u>541,581</u>	<u>522,907</u>
Special Education Cluster:				
Special Education - Grants to States	516-9013	84.027	87,975	89,837
Special Education - Grants to States	516-9014	84.027	468,354	457,067
Special Education - Preschool Grants	587-9013	84.173	1,395	1,414
Special Education - Preschool Grants	587-9014	84.173	13,363	13,182
Special Education Cluster Total			<u>571,087</u>	<u>561,500</u>
Rural Education	599-9014	84.358	42,665	26,784
Improving Teacher Quality State Grants	590-9013	84.367	15,570	15,959
Improving Teacher Quality State Grants	590-9014	84.367	69,467	58,877
			<u>85,037</u>	<u>74,836</u>
ARRA - Race to the Top Incentive Grants	506-9013	84.395	-	10,413
ARRA - Race to the Top Incentive Grants	506-9014	84.395	101,827	56,286
ARRA - Race to the Top Incentive Grants	506-9114	84.395	44,400	44,400
ARRA - Race to the Top Incentive Grants	506-9214	84.395	4,277	4,277
			<u>150,504</u>	<u>115,376</u>
Total U.S. Department of Education			<u>1,390,874</u>	<u>1,301,403</u>
Total Federal Awards			\$ <u>2,051,387</u>	<u>1,961,916</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NUTRITION CLUSTER

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

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 Trace Local School District ("School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 11, 2014, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

one east fourth street, suite 1200
cincinnati, OH 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 11, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

Report on Compliance for Each Major Federal Program

We have audited Miami Trace Local School District's ("School 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 School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 School 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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.

one east fourth street, suite 1200
cincinnati, OH 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School 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 School District's internal control over compliance.

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

Cincinnati, Ohio
December 11, 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
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
<i>CFDA 84.027 – Special Education-Grants to States</i>	
<i>CFDA 84.173 – Special Education-Preschool Grants</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Audit Findings

None



Dave Yost • Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2015**