

**NEW MIAMI LOCAL SCHOOL DISTRICT**

General Purpose Financial Statements

Year Ended June 30, 2000

With

Independent Auditors' Report



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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To the Board of Education  
New Miami Local School District

We have reviewed the independent auditor's report of the New Miami Local School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1999 through June 30, 2000. 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 New Miami Local School District is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

December 22, 2000

# NEW MIAMI LOCAL SCHOOL DISTRICT

## Table of Contents

### Page

Independent Auditors' Report

#### General Purpose Financial Statements:

Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Funds	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds	5 - 6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	7
Combined Statement of Cash Flows - All Proprietary Fund Types	8
Notes to the General Purpose Financial Statements	9 - 28
Schedule of Prior Audit Findings	29
Schedule of Expenditures of Federal Awards	30
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	32 - 33
Schedule of Findings and Questioned Costs	34

Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
New Miami Local School District:

We have audited the accompanying general purpose financial statements of New Miami Local School District as of and for the year ended June 30, 2000 as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of New Miami Local School District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2000 on our consideration of the New Miami Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of New Miami Local School District taken as a whole. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
November 30, 2000

**NEW MIAMI LOCAL SCHOOL DISTRICT**

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General	Fixed Asset	Long-Term Debt		
<b>ASSETS AND OTHER DEBITS</b>												
<b>ASSETS:</b>												
Equity in pooled cash and cash equivalents	\$ 1,223,086	157,619	84,531	2,523,471	21,183	29	31,273	-	-	-	-	4,041,192
Net receivables:												
Taxes	775,579	-	113,771	-	-	-	-	-	-	-	-	889,350
Accounts	-	1,390	-	-	1,256	-	-	-	-	-	-	2,646
Accrued interest	95	-	-	10,635	-	-	-	-	-	-	-	10,730
Intergovernmental	46,302	73,458	-	-	-	-	-	-	-	-	-	119,760
Interfund loan receivable	8,000	-	-	-	-	-	-	-	-	-	-	8,000
Materials and supply inventory	15,494	-	-	-	1,627	-	-	-	-	-	-	17,121
Restricted assets:												
Cash and cash equivalents	101,427	-	-	-	-	-	-	-	-	-	-	101,427
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	7,427	-	-	-	3,656,063	-	-	3,663,490
<b>OTHER DEBITS:</b>												
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	117,031	-	117,031
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	-	2,718,794	2,718,794
<b>Total assets and other debits</b>	<b>\$ 2,169,983</b>	<b>232,467</b>	<b>198,302</b>	<b>2,534,106</b>	<b>31,493</b>	<b>29</b>	<b>31,273</b>	<b>-</b>	<b>3,656,063</b>	<b>2,835,825</b>	<b>-</b>	<b>11,689,541</b>

The notes to the financial statements are an integral part of this statement.

# NEW MIAMI LOCAL SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Asset	Long-Term Debt	General	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accounts payable	\$ 27,279	790	-	-	-	-	7,750	-	-	-	35,819
Accrued wages and benefits	392,450	39,739	-	19,707	-	-	-	-	-	-	451,896
Interfund loans payable	-	-	-	8,000	-	-	-	-	-	-	8,000
Due to student groups	-	-	-	-	-	-	22,921	-	-	-	22,921
Deferred revenue	423,172	-	81,271	-	-	-	-	-	-	-	504,443
Capital leases payable	-	-	-	-	-	-	-	-	29,956	-	29,956
Pension obligation payable	80,667	-	-	13,318	-	-	-	-	28,056	-	122,041
General obligation notes payable	-	-	-	-	-	-	-	-	190,000	-	190,000
Bond anticipation notes payable	-	-	-	-	-	-	-	-	2,213,000	-	2,213,000
Compensated absences payable	-	-	-	-	-	-	-	-	374,813	-	374,813
<b>Total liabilities</b>	<b>923,568</b>	<b>40,529</b>	<b>81,271</b>	<b>41,025</b>	<b>30,671</b>	<b>2,835,825</b>	<b>3,656,063</b>	<b>(9,532)</b>	<b>29</b>	<b>31,273</b>	<b>11,689,541</b>
<b>EQUITY AND OTHER CREDITS:</b>											
Investments in general fixed assets	-	-	-	-	-	-	-	-	-	-	3,656,063
Retained earnings: unreserved	-	-	-	(9,532)	-	29	-	-	-	-	(9,503)
<b>Fund balances:</b>											
Reserved for:											
Encumbrances	1,192	1,100	-	137,885	-	-	-	-	-	-	140,177
Budget stabilization reserve	101,427	-	-	-	-	-	-	-	-	-	101,427
Materials and supply inventory	15,494	-	-	-	-	-	-	-	-	-	15,494
Property tax advances	217,500	-	32,500	-	-	-	-	-	-	-	250,000
Unreserved - undesignated	910,802	190,838	84,531	2,396,221	-	-	602	-	-	-	3,582,994
<b>Total equity and other credits</b>	<b>1,246,415</b>	<b>191,938</b>	<b>117,031</b>	<b>2,534,106</b>	<b>(9,532)</b>	<b>29</b>	<b>602</b>	<b>3,656,063</b>	<b>2,835,825</b>	<b>2,835,825</b>	<b>7,736,652</b>
<b>Total liabilities, equity and other credits \$</b>	<b>2,169,983</b>	<b>232,467</b>	<b>198,302</b>	<b>2,534,106</b>	<b>31,493</b>	<b>29</b>	<b>31,273</b>	<b>3,656,063</b>	<b>2,835,825</b>	<b>11,689,541</b>	

The notes to the financial statements are an integral part of this statement.

**NEW MIAMI LOCAL SCHOOL DISTRICT**

Combined Statement of Revenues, Expenditures, and Changes in Fund  
Balances - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2000

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$ 1,266,402	11,055	109,887	-	-	1,387,344
Earnings on investments	85,503	-	-	63,185	-	148,688
Other local revenue	22,301	112,420	-	-	8,973	143,694
Intergovernmental	3,369,371	445,625	8,209	500,429	-	4,323,634
<b>Total revenues</b>	<u>4,743,577</u>	<u>569,100</u>	<u>118,096</u>	<u>563,614</u>	<u>8,973</u>	<u>6,003,360</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,501,626	154,253	-	11,950	-	2,667,829
Special	304,302	174,950	-	-	-	479,252
Other	4,706	-	-	-	-	4,706
<b>Support services:</b>						
Pupil	146,735	1,809	-	-	-	148,544
Instructional staff	117,492	9,494	-	-	-	126,986
General administration	64,539	-	-	-	-	64,539
School administration	542,352	4,650	-	4,330	-	551,332
Fiscal	135,225	430	1,065	-	-	136,720
Operations and maintenance	442,907	-	-	-	-	442,907
Pupil transportation	251,358	-	-	-	-	251,358
Community services	-	-	-	-	10,300	10,300
Extracurricular activities	55,206	57,176	-	-	-	112,382
Facilities acquisition and construction	-	-	-	316,292	-	316,292
<b>Debt service:</b>						
Principal	5,236	-	40,000	-	-	45,236
Interest	2,326	-	10,721	-	-	13,047
<b>Total expenditures</b>	<u>4,574,010</u>	<u>402,762</u>	<u>51,786</u>	<u>332,572</u>	<u>10,300</u>	<u>5,371,430</u>
<b>Excess (deficit) revenues over (under) expenditures</b>	169,567	166,338	66,310	231,042	(1,327)	631,930
<b>Other financing sources (uses):</b>						
Proceeds from issuance of notes	-	-	-	2,213,000	-	2,213,000
Operating transfers in	-	16,000	50,721	50,376	-	117,097
Operating transfers out	(106,097)	(11,000)	-	-	-	(117,097)
Proceeds from capital lease	28,568	-	-	-	-	28,568
Other financing sources	189,529	-	-	-	-	189,529
<b>Total other financing sources (uses)</b>	<u>112,000</u>	<u>5,000</u>	<u>50,721</u>	<u>2,263,376</u>	<u>-</u>	<u>2,431,097</u>
<b>Excess (deficit) revenues and other sources over (under) expenditures and other (uses)</b>	281,567	171,338	117,031	2,494,418	(1,327)	3,063,027
<b>Fund balance, beginning of year</b>	964,848	20,600	-	39,688	1,929	1,027,065
<b>Fund balance, end of year</b>	<u>\$ 1,246,415</u>	<u>191,938</u>	<u>117,031</u>	<u>2,534,106</u>	<u>602</u>	<u>4,090,092</u>

The notes to the financial statements are an integral part of this statement.

**NEW MIAMI LOCAL SCHOOL DISTRICT**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2000

	General Fund			Special Revenue Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 1,226,066	1,226,066	-	11,055	11,055	-
Earnings on investments	85,499	85,499	-	-	-	-
Extracurricular activities	-	-	-	41,552	41,633	81
Intergovernmental - state and local	3,223,786	3,238,687	14,901	356,006	356,006	-
Intergovernmental - federal	-	-	-	211,906	212,006	100
Other revenue	11,008	11,008	-	-	-	-
<b>Total revenues</b>	<u>4,546,359</u>	<u>4,561,260</u>	<u>14,901</u>	<u>620,519</u>	<u>620,700</u>	<u>181</u>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Regular	2,437,397	2,372,165	65,232	357,602	284,036	73,566
Special	343,510	289,138	54,372	200,417	176,404	24,013
Other	29,954	5,449	24,505	-	-	-
<b>Support services:</b>						
Pupil	190,902	144,751	46,151	6,717	3,190	3,527
Instructional staff	120,756	116,533	4,223	38,153	4,009	34,144
General administration	55,613	55,351	262	-	-	-
School administration	532,470	517,127	15,343	18,514	9,446	9,068
Fiscal and business	166,171	134,442	31,729	430	430	-
Operations and maintenance	472,897	441,204	31,693	12,028	-	12,028
Pupil transportation	250,981	249,377	1,604	-	-	-
Community services	-	-	-	-	-	-
Extracurricular activities	76,210	54,640	21,570	57,581	57,176	405
Facilities acquisition and construction	-	-	-	-	-	-
<b>Debt Service:</b>						
Repayment of debt	-	-	-	-	-	-
<b>Total expenditures</b>	<u>4,676,861</u>	<u>4,380,177</u>	<u>296,684</u>	<u>691,442</u>	<u>534,691</u>	<u>156,751</u>
<b>Excess (deficit) revenues</b>						
<b>over (under) expenditures</b>	(130,502)	181,083	311,585	(70,923)	86,009	156,932
<b>Other financing sources (uses):</b>						
Proceeds from sale of notes	-	-	-	-	-	-
Operating transfers in	28,472	28,472	-	16,000	16,000	-
Operating transfers out	(136,569)	(136,569)	-	(11,000)	(11,000)	-
Advances in	5,200	5,200	-	-	-	-
Advances out	(5,200)	(5,200)	-	-	-	-
Other financing sources	160,919	160,919	-	409	-	(409)
<b>Total other financing sources (uses)</b>	<u>52,822</u>	<u>52,822</u>	<u>-</u>	<u>5,409</u>	<u>5,000</u>	<u>(409)</u>
<b>Excess (deficit) revenues and other sources</b>						
<b>over (under) expenditures and other (uses)</b>	(77,680)	233,905	311,585	(65,514)	91,009	156,523
Fund balance, beginning of year	1,079,351	1,079,351		65,514	65,514	
Prior year encumbrances appropriated	8,302	8,302		-	-	
Fund balance, end of year	\$ <u>1,009,973</u>	<u>1,321,558</u>		<u>-</u>	<u>156,523</u>	

The notes to the financial statements are an integral part of this statement.



Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
77,387	77,387	-	-	-	-	-	-	-
-	-	-	52,550	52,550	-	-	-	-
-	-	-	-	-	-	-	-	-
8,209	8,209	-	500,429	500,429	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,973	8,973	-
<u>85,596</u>	<u>85,596</u>	<u>-</u>	<u>552,979</u>	<u>552,979</u>	<u>-</u>	<u>8,973</u>	<u>8,973</u>	<u>-</u>
-	-	-	27,904	11,950	15,954	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7,828	1,065	6,763	30,770	4,330	26,440	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	16,249	7,896	8,353
-	-	-	-	-	-	-	-	-
-	-	-	745,197	489,303	255,894	-	-	-
<u>128,489</u>	<u>50,721</u>	<u>77,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>136,317</u>	<u>51,786</u>	<u>84,531</u>	<u>803,871</u>	<u>505,583</u>	<u>298,288</u>	<u>16,249</u>	<u>7,896</u>	<u>8,353</u>
(50,721)	33,810	84,531	(250,892)	47,396	298,288	(7,276)	1,077	(8,353)
-	-	-	2,213,000	2,213,000	-	-	-	-
50,721	50,721	-	50,376	50,376	-	-	-	-
-	-	-	(2,087,298)	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>50,721</u>	<u>50,721</u>	<u>-</u>	<u>176,078</u>	<u>2,263,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	84,531	84,531	(74,814)	2,310,772	2,385,586	(7,276)	1,077	8,353
-	-	-	74,814	74,814	-	7,276	7,276	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>84,531</u>	<u>-</u>	<u>-</u>	<u>2,385,586</u>	<u>-</u>	<u>-</u>	<u>8,353</u>	<u>-</u>

## NEW MIAMI LOCAL SCHOOL DISTRICT

### Combined Statement of Revenues, Expenses and Changes in Retained Earnings

#### All Proprietary Fund Types

Year Ended June 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<b>Operating revenues:</b>			
Sales	\$ 130,447	-	130,447
Tuition and fees	20,670	-	20,670
Other operating revenues	-	1,215	1,215
<b>Total operating revenues</b>	<u>151,117</u>	<u>1,215</u>	<u>152,332</u>
<b>Operating expenses:</b>			
Personnel services	164,735	-	164,735
Purchased services	803	1,106	1,909
Materials and supplies	132,686	-	132,686
Depreciation	788	-	788
Other expenses	-	233	233
<b>Total operating expenses</b>	<u>299,012</u>	<u>1,339</u>	<u>300,351</u>
<b>Operating loss</b>	<b>(147,895)</b>	<b>(124)</b>	<b>(148,019)</b>
<b>Nonoperating revenues:</b>			
Earnings on investments	394	-	394
Operating grants	123,583	-	123,583
Operating grants - donated commodities	6,582	-	6,582
<b>Total nonoperating revenues</b>	<u>130,559</u>	<u>-</u>	<u>130,559</u>
<b>Net loss</b>	<b>(17,336)</b>	<b>(124)</b>	<b>(17,460)</b>
Retained earnings, beginning of year	<u>7,804</u>	<u>153</u>	<u>7,957</u>
Retained earnings (deficit), end of year	<u><u>\$ (9,532)</u></u>	<u><u>29</u></u>	<u><u>(9,503)</u></u>

The notes to the financial statements are an integral part of this statement.

**NEW MIAMI LOCAL SCHOOL DISTRICT**

Combined Statement of Cash Flows - All Proprietary Fund Types

Year Ended June 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash flows from operating activities:</b>			
Cash received from sales	\$ 130,447	-	130,447
Cash received from fees	19,596	-	19,596
Cash received from other operations	-	1,215	1,215
Cash payments for personal services	(162,879)	-	(162,879)
Cash payments for purchased services	(803)	(1,106)	(1,909)
Cash payments for supplies and materials	(123,538)	-	(123,538)
Cash payments for other expenses	<u>-</u>	<u>(233)</u>	<u>(233)</u>
Net cash used by operating activities	(137,177)	(124)	(137,301)
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	<u>123,583</u>	<u>-</u>	<u>123,583</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	<u>(340)</u>	<u>-</u>	<u>(340)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>394</u>	<u>-</u>	<u>394</u>
Net change in cash	(13,540)	(124)	(13,664)
Cash, beginning of year	<u>34,723</u>	<u>153</u>	<u>34,876</u>
Cash, end of year	<u><u>21,183</u></u>	<u><u>29</u></u>	<u><u>21,212</u></u>
<b>Reconciliation of operating loss to to net cash used by operating activities:</b>			
Operating loss	(147,895)	(124)	(148,019)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>			
Depreciation	788	-	788
Donated commodities	6,582	-	6,582
<b>Changes in assets and liabilities:</b>			
Increase in accounts receivable	(1,074)	-	(1,074)
Decrease in inventory	2,820	-	2,820
Decrease in deferred revenue	(254)	-	(254)
Increase in accrued wages and benefits	1,484	-	1,484
Increase in pension obligation payable	<u>372</u>	<u>-</u>	<u>372</u>
Net cash used by operating activities	\$ <u><u>(137,177)</u></u>	<u><u>(124)</u></u>	<u><u>(137,301)</u></u>

The notes to the financial statements are an integral part of this statement.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

New Miami Local School District (the "School District") provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and consisted of one elementary school, which housed grades 1-9. The high school students went to Seven Mile for classes until September 1960 when New Miami High School opened for grades 9-12. The New Miami Junior School was opened in September 1969 for grades 6-8. The School District currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 870 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler County Joint Vocational School, the Southwestern Ohio Computer Association, and the Butler County Health Plan. These organizations are presented in Notes 13 and 14 to the general purpose financial statements.

## **B. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

### **Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

#### *Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

*Capital Projects Fund* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Fund* - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

## **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tax payer assessed income taxes, interest, and accounts and grants.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

## **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

### *Tax Budget:*

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

### *Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

### *Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.



The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2000, investments were limited to certificates of deposit.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

## **Inventory**

Inventories of governmental funds are stated at cost while inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise funds consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

## **Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to ten years.

## **Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

Grants and entitlements amounted to approximately seventy percent of the School District's operating revenue during the 2000 fiscal year.

### **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after twenty years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

### **Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

## **Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. The Board may, with a 2/3 vote of its members appropriate from this budget reserve if it experiences a deficit unreserved fund balance caused by specific conditions which are defined by State statute and files an acceptable schedule to replenish the set-aside balance with the State Superintendent of Public Instruction. A corresponding fund balance reserve has also been established.

## **Estimates**

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

## **Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property tax advances, debt service, and budget stabilization set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

## **Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## **2. ACCOUNTABILITY**

At June 30, 2000, the following funds had deficit retained earnings:

Food Services Fund	\$ 6,462
Uniform School Supplies Fund	3,070

These deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### 3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ 281,567	171,338	117,031	2,494,418	(1,327)
Revenue					
Accruals	(182,317)	51,600	(32,500)	(10,635)	-
Expenditure					
Accruals	192,789	(130,829)	-	(35,126)	2,404
Other sources	(55,178)	-	-	-	-
Encumbrances	(2,956)	(1,100)	-	(137,885)	-
Budget Basis	<u>\$ 233,905</u>	<u>91,009</u>	<u>84,531</u>	<u>2,310,772</u>	<u>1,077</u>

#### **4. DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$4,142,619 (including restricted cash) and the bank balance was \$4,283,982. Of the bank balance, \$100,000 was covered by federal depository insurance and \$4,183,982 was uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging financial institution's trust department, but not in the District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

## **5. 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 (used in business) property located in the School 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. The last update was completed for tax year 2000. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$217,500 in the General Fund and \$32,500 in the Debt Service Fund. The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 29,933,130	75.77%	34,473,750	77.26%
Tangible Personal Property	9,572,106	24.23%	10,148,527	22.74%
Total Assessed Value	<u>\$ 39,505,236</u>	<u>100.00%</u>	<u>44,622,277</u>	<u>100.00%</u>

## 6. FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 2000, follows:

	Enterprise
Furniture and Equipment	\$ 80,676
Less Accumulated Depreciation	(73,249)
Net Fixed Assets	<u>\$ 7,427</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 7/1/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$ 27,444	-	-	27,444
Construction in Progress	-	276,903	-	276,903
Buildings and Improvements	2,290,000	-	-	2,290,000
Furniture, Fixtures and Equipment	1,004,195	65,278	7,757	1,060,816
Total general fixed assets	<u>\$3,321,639</u>	<u>342,181</u>	<u>7,757</u>	<u>3,656,063</u>



## **7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2000, the School District participated in the Butler County Health Trust (the Trust), a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

## **8. DEFINED BENEFIT PENSION PLANS**

### **School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 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 School District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$75,659, \$69,149, and \$74,212 respectively; 35% has been contributed for fiscal year 2000 and 100% for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

### **State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basis 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 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2000, 1999, and 1998 were \$385,239, 359,319, and \$329,912, respectively; 84% has been contributed for fiscal year 2000 and 100% for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

### **Social Security System**

All employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000 members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

## **9. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$210,214 during fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 6.30% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the year ended June 30, 1999 were \$126.4 million and the target level was \$189.6 million. At June 30, 1999, SERS' net assets available for payment of health care benefits was \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled \$44,046 during the 2000 fiscal year.

## 10. EMPLOYEE BENEFITS

### Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave up to a maximum of 50 days for classified employees, 45 days for administrators, and 45 days for teachers.

## 11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 7/1/99	Additions	Deductions	Principal Outstanding 6/30/00
Energy Conservation Notes 1993 5.00%	\$ 198,000	-	35,000	163,000
Energy Conservation Notes 1994 5.75%	32,000	-	5,000	27,000
Bond anticipation notes	-	2,213,000	-	2,213,000
Pension Obligation	23,644	28,056	23,644	28,056
Capital Leases	6,624	28,568	5,236	29,956
Compensated Absences	295,902	78,911	-	374,813
<b>Total General Long-Term Obligations</b>	<b>\$ 556,170</b>	<b>2,348,535</b>	<b>68,800</b>	<b>2,835,825</b>

*House Bill 264, Energy Conversation Notes* - The School District issued notes in 1993 and 1994 to fund energy conserving renovation projects. The notes mature on December 1, 2003 and December 1, 2004, respectively.

*Bond Anticipation Notes* - In anticipation of issuing general obligation bonds, the School District issued bond anticipation notes of \$2,213,000 maturing in August 2000 at 4.65%. In August 2000, these notes were retired with the proceeds from the sale of general obligation bonds.

Principal and interest requirements to retire general obligation notes outstanding at June 30, 2000, are:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$ 45,000	8,559	53,559
2002	45,000	6,271	51,271
2003	45,000	3,984	48,984
2004	48,000	1,621	49,621
2005	7,000	201	7,201
Total	<u>\$ 190,000</u>	<u>20,636</u>	<u>210,636</u>

The School District's voted legal debt margin was \$4,016,005 with an unvoted debt margin of \$44,622 at June 30, 2000.

## 12. CAPITALIZED LEASES - LESSEE

The School District is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the General Fixed Asset Account Group and related obligations are recorded in the General Long-Term Debt Account Group. Assets under capital leases totaled \$42,146 at June 30, 2000. The following is a schedule of future minimum lease payments under capital leases, with the net present value of the minimum lease payments as of June 30, 2000.

Year Ending June 30		
2001	\$	13,071
2002		9,745
2003		9,443
2004		<u>5,508</u>
Minimum lease payments		37,767
Less: Amount representing interest		<u>7,811</u>
Present value of minimum lease payments	\$	<u>29,956</u>

## 13. INSURANCE PURCHASING POOL

### *Butler County Health Plan*

The School District participates in the Butler County Health Plan (BCHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BCHP at P. O. Box 526, Middletown, Ohio 45042.

**14. JOINTLY GOVERNED ORGANIZATIONS**

*Butler County Joint Vocational School District*

The Butler County Joint Vocational School District (BCJVSD), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. BCJVSD was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for the Joint Vocational School. To obtain financial information, write to the Butler County Joint Vocational School, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

*Southwestern Ohio Computer Association*

The Southwestern Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. During the 2000 fiscal year, the School District paid approximately \$18,000 to SWOCA for services. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

**15. SEGMENT INFORMATION FOR ENTERPRISE FUND**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

	<u>Food</u> <u>Service</u>	<u>School</u> <u>Supplies</u>	<u>Total</u>
Operating revenues	\$ 130,447	20,670	151,117
Operating expenses before depreciation	276,638	21,586	298,224
Depreciation	788	-	788
Operating loss	(146,979)	(916)	(147,895)
Donated commodities	6,582	-	6,582
Operating grants	123,583	-	123,583
Net loss	(16,420)	(916)	(17,336)
Net working capital	(13,889)	(3,070)	(16,959)
Total assets	26,563	4,930	31,493
Total equity	(6,462)	(3,070)	(9,532)

## 16. CONTINGENCIES

### Grants

The School 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

### Litigation

The School District is party to legal proceedings but is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

## 17. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1999	\$ -	-	72,955	72,955
Current year set-aside requirement	85,417	85,417	28,472	199,306
Less qualifying disbursements	<u>85,417</u>	<u>85,417</u>	<u>-</u>	<u>170,834</u>
Total	<u>-</u>	<u>-</u>	<u>101,427</u>	
Cash balance carried forward to FY 2000	<u>-</u>	<u>-</u>	<u>101,427</u>	
Amount restricted for budget stabilization				<u>101,427</u>
Total restricted assets			\$	<u>101,427</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

## **18. SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received approximately \$2,950,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the State General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NEW MIAMI LOCAL SCHOOL DISTRICT**

Schedule of Prior Audit Findings

For the Year Ended June 30, 2000

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.



**NEW MIAMI LOCAL SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Expenditures</u>	<u>Non-cash Expenditures</u>
<b>U.S. Department of Agriculture:</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550	\$ -	6,582	-	6,538
School Breakfast Program	05PU-00	10.553	24,252	-	24,252	-
National School Lunch Program	04PU-00	10.555	91,579	-	91,579	-
Total U.S. Department of Agriculture			<u>115,831</u>	<u>6,582</u>	<u>115,831</u>	<u>6,538</u>
<b>U.S. Department of Education:</b>						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B	6BSF-2000	84.027	39,246	-	38,251	-
Preschool Grants	PGS1-2000	84.173	1,784	-	1,784	-
			<u>41,030</u>	<u>-</u>	<u>40,035</u>	<u>-</u>
Grants to Local Education Agencies (ESEA Title I)						
Eisenhower Professional Development Grant	C1S1-2000	84.010	134,127	-	141,666	-
Innovative Education Program Strategy - Title VI	MSS1-2000	84.281	5,385	-	159	-
GOALS 2000	C2S1-2000	84.298	4,725	-	2,752	-
Class Size Reduction	G2S2-1998	84.276	-	-	1,490	-
Safe and Drug Free Schools	CRS1-2000	84.340	23,351	-	21,303	-
	DRS1-2000	84.186	2,254	-	1,382	-
Total U.S. Department of Education			<u>210,872</u>	<u>-</u>	<u>208,787</u>	<u>-</u>
Total Federal Awards			\$ <u>326,703</u>	<u>6,582</u>	<u>324,618</u>	<u>6,538</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 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 - MATCHING REQUIREMENTS**

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

# Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

To the Board of Education  
New Miami Local School District:

We have audited the financial statements of the New Miami Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the New Miami Local 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, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Miami Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
November 30, 2000

**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
New Miami Local School District:

Compliance

We have audited the compliance New Miami Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. New Miami Local School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 New Miami Local School District's compliance with those requirements performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, New Miami Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of New Miami Local School District is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Miami Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hashett & Co.*

Cincinnati, Ohio  
November 30, 2000

**NEW MIAMI LOCAL SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2000**

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

**Financial Statements**

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) 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
Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none
Identification of major programs:	
CFDA 84.010 Grants to Local Educational Agencies (ESEA Title 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.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**NEW MIAMI LOCAL SCHOOL DISTRICT**

**BUTLER 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 9, 2001**