



**Auditor of State  
Betty Montgomery**



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Miami Trace Local School District  
Fayette County  
1400 U.S. Route 22 NW  
Washington Courthouse, Ohio 43160

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the Miami Trace Local School District, Fayette County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2003 on our consideration of the 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.

Miami Trace Local School District  
Fayette County  
Independent Accountants' Report  
Page 2

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for 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. We subjected this information 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 24, 2003

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Miami Trace Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Assets and Other Debits:</b>			
Equity in Pooled Cash and Investments	\$1,974,335	\$303,134	\$520,063
Restricted Equity in Pooled Cash and Investments	21,400	0	0
<b>Receivables:</b>			
Taxes	6,577,606	0	757,292
Intergovernmental	6,699	350,090	0
Accounts	19,761	1,006	0
Accrued Interest	2,575	0	0
Advances Receivable	295,000	0	0
Inventory	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<b>Other Debits:</b>			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b><u>\$8,897,376</u></b>	<b><u>\$654,230</u></b>	<b><u>\$1,277,355</u></b>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$181,760	\$29,058	\$55,754
Accrued Wages & Benefits	2,231,618	179,145	0
Compensated Absences Payable	246,742	388	0
Advances Payable	0	0	0
Deferred Revenue	4,382,049	42,442	504,637
Due to Students	0	0	0
Claims Payable	0	0	0
<b>Total Liabilities</b>	<b><u>7,042,169</u></b>	<b><u>251,033</u></b>	<b><u>560,391</u></b>
<b>Fund Equity &amp; Other Credits:</b>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
<b>Retained Earnings:</b>			
Unreserved	0	0	0
<b>Fund Balance:</b>			
Reserved for Encumbrances	408,396	52,045	168,701
Reserved for Property Tax Advances	2,195,557	0	252,655
Reserved for Endowments	0	0	0
Reserved for Set-Asides	21,400	0	0
Reserved for Advances Receivable	295,000	0	0
Designated for Set-Asides	249,164	0	0
Unreserved & Undesignated	(1,314,310)	351,152	295,608
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b><u>1,855,207</u></b>	<b><u>403,197</u></b>	<b><u>716,964</u></b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b><u>\$8,897,376</u></b>	<b><u>\$654,230</u></b>	<b><u>\$1,277,355</u></b>

See accompanying notes.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$63,886	\$41,958	\$137,712	\$0	\$0	\$3,041,088
0	0	271,802	0	0	293,202
0	0	0	0	0	7,334,898
0	0	0	0	0	356,789
303	0	98	0	0	21,168
0	256	1,409	0	0	4,240
0	0	0	0	0	295,000
8,760	0	0	0	0	8,760
78,659	0	0	13,744,200	0	13,822,859
0	0	0	0	879,879	879,879
<u>\$151,608</u>	<u>\$42,214</u>	<u>\$411,021</u>	<u>\$13,744,200</u>	<u>\$879,879</u>	<u>\$26,057,883</u>
\$1,493	\$0	\$10,738	\$0	\$0	\$278,803
97,761	0	0	0	101,245	2,609,769
29,241	0	0	0	778,634	1,055,005
295,000	0	0	0	0	295,000
3,987	0	0	0	0	4,933,115
0	0	84,464	0	0	84,464
0	365,397	0	0	0	365,397
<u>427,482</u>	<u>365,397</u>	<u>95,202</u>	<u>0</u>	<u>879,879</u>	<u>9,621,553</u>
0	0	0	13,744,200	0	13,744,200
69,927	0	0	0	0	69,927
(345,801)	(323,183)	0	0	0	(668,984)
0	0	0	0	0	629,142
0	0	0	0	0	2,448,212
0	0	271,802	0	0	271,802
0	0	0	0	0	21,400
0	0	0	0	0	295,000
0	0	0	0	0	249,164
0	0	44,017	0	0	(623,533)
<u>(275,874)</u>	<u>(323,183)</u>	<u>315,819</u>	<u>13,744,200</u>	<u>0</u>	<u>16,436,330</u>
<u>\$151,608</u>	<u>\$42,214</u>	<u>\$411,021</u>	<u>\$13,744,200</u>	<u>\$879,879</u>	<u>\$26,057,883</u>

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Miami Trace Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
Taxes	\$6,208,189	\$0	\$700,122	\$0	\$6,908,311
Intergovernmental	9,559,397	1,468,233	119,313	0	11,146,943
Investment	79,098	1,929	6,674	242	87,943
Tuition & Fees	211,859	0	0	0	211,859
Extracurricular Activities	1,584	258,985	0	0	260,569
Miscellaneous	89,735	64,990	0	1,134	155,859
<b>Total Revenues</b>	<b>16,149,862</b>	<b>1,794,137</b>	<b>826,109</b>	<b>1,376</b>	<b>18,771,484</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	6,851,239	340,055	99,182	900	7,291,376
Special	825,807	491,381	0	0	1,317,188
Vocational	442,364	0	0	0	442,364
Other	322,932	2,533	0	0	325,465
<b>Support Services:</b>					
Pupils	776,567	218,225	24,287	0	1,019,079
Instructional Staff	1,075,385	285,564	86,949	0	1,447,898
Board of Education	18,241	0	0	0	18,241
Administration	2,800,476	173,961	0	0	2,974,437
Fiscal	552,709	2,500	20,416	0	575,625
Business	48,808	0	0	0	48,808
Operation & Maintenance of Plant	1,735,945	0	339,904	0	2,075,849
Pupil Transportation	1,467,404	0	96,671	0	1,564,075
Central	80,551	50,845	0	0	131,396
Operation of Non-Instructional Services	0	87	0	0	87
Extracurricular Activities	259,399	218,646	0	0	478,045
Capital Outlay	14,011	0	208,708	0	222,719
<b>Total Expenditures</b>	<b>17,271,838</b>	<b>1,783,797</b>	<b>876,117</b>	<b>900</b>	<b>19,932,652</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,121,976)</b>	<b>10,340</b>	<b>(50,008)</b>	<b>476</b>	<b>(1,161,168)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	24,953	0	0	0	24,953
Operating Transfers (Out)	(55,000)	0	0	0	(55,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(30,047)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30,047)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>(1,152,023)</b>	<b>10,340</b>	<b>(50,008)</b>	<b>476</b>	<b>(1,191,215)</b>
<b>Fund Balance, Beginning of Year (Restated)</b>	<b>3,007,230</b>	<b>392,857</b>	<b>766,972</b>	<b>8,922</b>	<b>4,175,981</b>
<b>Fund Balance, End of Year</b>	<b>\$1,855,207</b>	<b>\$403,197</b>	<b>\$716,964</b>	<b>\$9,398</b>	<b>\$2,984,766</b>

See accompanying notes.

Miami Trace Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$6,564,973	\$6,455,621	(\$109,352)	\$0	\$0	\$0
Intergovernmental	9,555,325	9,557,073	1,748	1,488,017	1,304,069	(183,948)
Investment	78,686	77,492	(1,194)	2,215	2,334	119
Tuition & Fees	236,039	195,121	(40,918)			0
Extracurricular Activities	1,647	1,584	(63)	250,115	258,527	8,412
Miscellaneous	88,549	89,966	1,417	65,160	65,245	85
<b>Total Revenues</b>	<b>16,525,219</b>	<b>16,376,857</b>	<b>(148,362)</b>	<b>1,805,507</b>	<b>1,630,175</b>	<b>(175,332)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	6,922,990	7,002,297	(79,307)	389,661	373,830	15,831
Special	844,244	850,947	(6,703)	640,110	503,812	136,298
Vocational	472,682	472,610	72	0	0	0
Other	304,273	323,850	(19,577)	5,976	2,533	3,443
<b>Support Services:</b>						
Pupils	772,820	769,944	2,876	259,015	218,470	40,545
Instructional Staff	1,018,854	927,409	91,445	329,836	263,111	66,725
Board of Education	23,335	18,241	5,094	0	0	0
Administration	2,248,548	2,157,062	91,486	172,836	145,008	27,828
Fiscal	474,538	479,280	(4,742)	2,500	2,500	0
Business	49,842	47,224	2,618	0	0	0
Operation & Maintenance of Plant	1,957,784	1,954,034	3,750	3,000		3,000
Pupil Transportation	1,521,784	1,460,543	61,241	0		0
Central	101,567	89,608	11,959	60,925	54,876	6,049
Operation of Non-Instructional Services			0	300	87	213
Extracurricular Activities	253,320	259,399	(6,079)	246,384	234,922	11,462
Capital Outlay	0	16,306	(16,306)	4,808		4,808
<b>Total Expenditures</b>	<b>16,966,581</b>	<b>16,828,754</b>	<b>137,827</b>	<b>2,115,351</b>	<b>1,799,149</b>	<b>316,202</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>(441,362)</b>	<b>(451,897)</b>	<b>(10,535)</b>	<b>(309,844)</b>	<b>(168,974)</b>	<b>140,870</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	73,223	73,222	(1)	0	0	0
Operating Transfers (Out)	(55,000)	(55,000)	0	0	0	0
Advances In	16,128	16,128	0	9,000	9,000	0
Advances (Out)	(9,000)	(9,000)	0	(16,128)	(16,128)	0
<b>Total Other Financing Sources (Uses)</b>	<b>25,351</b>	<b>25,350</b>	<b>(1)</b>	<b>(7,128)</b>	<b>(7,128)</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>(416,011)</b>	<b>(426,547)</b>	<b>(10,536)</b>	<b>(316,972)</b>	<b>(176,102)</b>	<b>140,870</b>
<b>Fund Balance,</b>						
Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,843,022	1,843,022	0	399,582	399,582	0
<b>Fund Balance, End of Year</b>	<b>\$1,427,011</b>	<b>\$1,416,475</b>	<b>(\$10,536)</b>	<b>\$82,610</b>	<b>\$223,480</b>	<b>\$140,870</b>

See accompanying notes.

Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$775,249	\$743,255	(\$31,994)	\$7,340,222	\$7,198,876	(\$141,346)
119,313	119,313	0	11,162,655	10,980,455	(182,200)
6,711	6,674	(37)	87,612	86,500	(1,112)
0	0	0	236,039	195,121	(40,918)
0	0	0	251,762	260,111	8,349
0	0	0	153,709	155,211	1,502
<b>901,273</b>	<b>869,242</b>	<b>(32,031)</b>	<b>19,231,999</b>	<b>18,876,274</b>	<b>(355,725)</b>
312,961	141,553	171,408	7,625,612	7,517,680	107,932
0	0	0	1,484,354	1,354,759	129,595
			472,682	472,610	72
0	0	0	310,249	326,383	(16,134)
43,500	27,338	16,162	1,075,335	1,015,752	59,583
85,610	86,949	(1,339)	1,434,300	1,277,469	156,831
0	0	0	23,335	18,241	5,094
37,000		37,000	2,458,384	2,302,070	156,314
22,000	20,416	1,584	499,038	502,196	(3,158)
0	0	0	49,842	47,224	2,618
293,382	365,049	(71,667)	2,254,166	2,319,083	(64,917)
195,000	96,671	98,329	1,716,784	1,557,214	159,570
0	0	0	162,492	144,484	18,008
		0	300	87	213
		0	499,704	494,321	5,383
397,374	358,641	38,733	402,182	374,947	27,235
<b>1,386,827</b>	<b>1,096,617</b>	<b>290,210</b>	<b>20,468,759</b>	<b>19,724,520</b>	<b>744,239</b>
<b>(485,554)</b>	<b>(227,375)</b>	<b>258,179</b>	<b>(1,236,760)</b>	<b>(848,246)</b>	<b>388,514</b>
0	0	0	73,223	73,222	(1)
0	0	0	(55,000)	(55,000)	0
0	0	0	25,128	25,128	0
0	0	0	(25,128)	(25,128)	0
0	0	0	18,223	18,222	(1)
<b>(485,554)</b>	<b>(227,375)</b>	<b>258,179</b>	<b>(1,218,537)</b>	<b>(830,024)</b>	<b>388,513</b>
522,985	522,985	0	2,765,589	2,765,589	0
<b>\$37,431</b>	<b>\$295,610</b>	<b>\$258,179</b>	<b>\$1,547,052</b>	<b>\$1,935,565</b>	<b>\$388,513</b>

Miami Trace Local School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings / Fund Balance  
 All Proprietary Fund Types and Nonexpendable Trust Funds  
 For the Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Operating Revenues:</b>				
Investment Revenue	\$0	\$0	\$9,977	\$9,977
Charges for Services	631,080	0	0	631,080
Miscellaneous Revenue	95,481	274,226	24,493	394,200
<b>Total Operating Revenues</b>	<b>726,561</b>	<b>274,226</b>	<b>34,470</b>	<b>1,035,257</b>
<b>Operating Expenses:</b>				
Salaries	447,280	0	0	447,280
Fringe Benefits	206,363	0	0	206,363
Purchased Services	19,736	0	36,647	56,383
Materials & Supplies	409,611	62	0	409,673
Depreciation	23,201	0	0	23,201
Claims	0	320,342	0	320,342
<b>Total Operating Expenses</b>	<b>1,106,191</b>	<b>320,404</b>	<b>36,647</b>	<b>1,463,242</b>
<b>Operating (Loss)</b>	<b>(379,630)</b>	<b>(46,178)</b>	<b>(2,177)</b>	<b>(427,985)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Revenue	789	3,116	0	3,905
Miscellaneous Revenue	730	0	0	730
Donated Commodities	28,458	0	0	28,458
Operating Grants - State & Local	14,522	0	0	14,522
Operating Grants - Federal	217,378	0	0	217,378
<b>Total Non-Operating Revenues</b>	<b>261,877</b>	<b>3,116</b>	<b>0</b>	<b>264,993</b>
<b>(Loss) before Operating Transfers</b>	<b>(117,753)</b>	<b>(43,062)</b>	<b>(2,177)</b>	<b>(162,992)</b>
<b>Operating Transfers In</b>	<b>55,000</b>	<b>0</b>	<b>0</b>	<b>55,000</b>
<b>Net (Loss)</b>	<b>(62,753)</b>	<b>(43,062)</b>	<b>(2,177)</b>	<b>(107,992)</b>
<b>Retained Earnings / Fund Balance (Deficit), Beginning of Year (Restated)</b>	<b>(283,048)</b>	<b>(280,121)</b>	<b>308,598</b>	<b>(254,571)</b>
<b>Retained Earnings / Fund Balance (Deficit), End of Year</b>	<b>(\$345,801)</b>	<b>(\$323,183)</b>	<b>\$306,421</b>	<b>(\$362,563)</b>

See accompanying notes.

Miami Trace Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Nonexpendable Trust Funds  
 For the Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Investment Earnings	\$0	\$0	\$8,568	\$8,568
Cash Received from Charges for Services	631,282	0	0	631,282
Cash Received from Miscellaneous Sources	96,080	274,226	24,593	394,899
Cash Payments for Personal Services	(623,000)	(235,130)	0	(858,130)
Cash Payments for Contract Services	(19,775)	0	(39,147)	(58,922)
Cash Payments for Supplies & Materials	(380,629)	(62)	0	(380,691)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(296,042)</b>	<b>39,034</b>	<b>(5,986)</b>	<b>(262,994)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash Received from Other Funds	55,000	0	0	55,000
Cash Received from Operating Grants	231,900	0	0	231,900
Other	730	0	0	730
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>287,630</b>	<b>0</b>	<b>0</b>	<b>287,630</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(15,908)	0	0	(15,908)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(15,908)</b>	<b>0</b>	<b>0</b>	<b>(15,908)</b>
<b>Cash flows from investing activities:</b>				
Interest on investments	789	2,860	0	3,649
<b>Net cash provided by investing activities</b>	<b>789</b>	<b>2,860</b>	<b>0</b>	<b>3,649</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(23,531)</b>	<b>41,894</b>	<b>(5,986)</b>	<b>8,728</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>87,417</b>	<b>64</b>	<b>310,998</b>	<b>398,479</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$63,886</b>	<b>\$41,958</b>	<b>\$305,012</b>	<b>\$407,207</b>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>				
Operating (Loss)	(\$379,630)	(\$46,178)	(\$2,177)	(\$427,985)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation	23,201	0	0	23,201
Donated Commodities Used	28,458	0	0	28,458
<b>Changes in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivables	801	0	100	901
(Increase) Decrease in Accrued Interest	0	0	(1,409)	(1,409)
(Increase) Decrease in Materials & Supplies Inventory	(932)	0	0	(932)
Increase (Decrease) in Accounts Payable	620	0	(2,500)	(1,880)
Increase (Decrease) in Accrued Wages & Benefits	18,204	0	0	18,204
Increase (Decrease) in Compensated Absences Payable	12,439	0	0	12,439
Increase (Decrease) in Claims Payable	0	85,212	0	85,212
Increase (Decrease) in Deferred Revenue	797	0	0	797
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$296,042)</b>	<b>\$39,034</b>	<b>(\$5,986)</b>	<b>(\$262,994)</b>
<b>Reconciliation of Nonexpendable Trust Fund to balance sheet:</b>				
Cash and cash equivalents - All Fiduciary Funds			\$409,514	
Cash and cash equivalents - Expendable Trust and Agency Funds			104,502	
<b>Cash and cash equivalents - Nonexpendable Trust Fund</b>			<b>\$305,012</b>	

See accompanying notes.

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**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 1 DESCRIPTION OF THE DISTRICT**

July 1, 1955, was a historical date in Fayette County. The Miami Trace School 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 the Fayette County School Districts became one district encompassing almost all of Fayette County exclusive of the Washington Court House City School District. On February 10, 1958, after receiving a petition signed by almost 95% of the voters of the New Holland School District, the State Board of Education transferred the New Holland District into Miami Trace completing the consolidation of the twelve local districts that now make up Miami Trace.

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The school district's geographical size ranks among the top five in Ohio. At the present time, approximately 2,655 students attend eight elementary schools, one junior high 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 114 non-certificated personnel and 194 certificated teaching and administrative personnel to provide services to students and other community members.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Miami Trace Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

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 Miami Trace, this includes general operations, food service, preschool and student related activities of the school district.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

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 for the organization. The school district has no component units.

The school district is associated with two jointly governed organizations. These organizations are discussed in Note 14 to the general purpose financial statements. These organizations are:

MVECA  
Hopewell

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

General fund is the general operating fund of the district and is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital projects fund is 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).

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**Proprietary funds** are used to account for the district's on going activities, which are similar to those most often found in the private sector. The following are the district's proprietary fund types:

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the cost (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 (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal service funds are used to account for goods and services provided by one department to other departments of the district on a cost-reimbursement basis.

**Fiduciary funds** are used to account for the assets held by the district in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account groups** are used 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 general nature.

General fixed assets account group is established to account for all fixed assets of the district, other than those accounted for in proprietary funds and trust funds.

General long-term obligations account group is established to account for all long-term obligations of the district, except those accounted for in proprietary funds and trust funds.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

**Measurement Focus** - Governmental fund types are accounted for on a spending, or "current financial resources," measurements focus. Governmental fund types operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

Proprietary fund types and nonexpendable trust funds are accounted for on a cost of services "economic resources," measurements focus. Proprietary fund type income statements represent increases and decreases in net total assets.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**Basis of Accounting** - The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the district is 60 days after fiscal year end.

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

Proprietary and nonexpendable trust funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

**D. BUDGETARY DATA**

**Budgetary Basis of Accounting** - The district's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).
3. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The district is required by state statute to adopt an annual appropriated budget for all governmental fund types. The specific timetable is as follows:

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

1. Prior to January 15 of the preceding fiscal year, the treasurer submits to the board of education 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 expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Fayette County Budget Commission for tax rate determination.
3. Prior to April 1, the board of education accepts by formal resolution, the tax rates as determined by the Fayette 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 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 a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the district treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the district treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the board of education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the Fayette County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the board of education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the board of education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

**E. ENCUMBRANCES**

Encumbrance accounting is utilized by district funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**F. CASH AND INVESTMENTS**

Cash received by the district is deposited in various bank accounts with individual fund balance integrity maintained throughout. Monies for all funds were maintained in these accounts or were temporarily used to purchase short-term cash equivalent investments with the exception of a \$5,000 municipal bond purchased in 1986 that matures in 2011. This bond is reported at cost because it is immaterial to investments. Under existing Ohio statutes, earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those funds individually authorized by board resolution.

Investments in nonparticipating investment contracts (repurchase agreements) are reported at cost.

The district has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the state treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002

Following Ohio statutes, the board of education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$79,098.

For purposes of the Statement of Cash Flows the combined statement of cash flows, the proprietary fund types' and nonexpendable trust fund's portion of pooled cash and investments is considered a cash equivalent because the district is able to withdraw resources from these funds without prior notice or penalty.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**Restricted Assets**

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve. This reserve is allowed by state statute. A fund balance reserve has also been established.

**G. ESTIMATES**

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

**H. INVENTORY**

Inventories of the enterprise funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count.

**I. FIXED ASSETS AND DEPRECIATION**

1. **General Fixed Assets Account Group** - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the general fixed assets account group. The district does not possess any infrastructure.
2. **Proprietary Funds** - Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives: building improvements, 20-40 years and equipment, 3-5 years.

**J. INTERGOVERNMENTAL REVENUES**

In governmental funds, non-reimbursable grants are recorded as receivable and revenue when measurable and available. Reimbursement type grants are recorded as receivable and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**K. COMPENSATED ABSENCES**

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

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

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators/Non-Bargaining Unit Employees</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	Not Eligible	40 days	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 days	214 days	Per Contract Days	210 days
Termination Entitlement	Per Contract	Per Contract	Per Contract

For governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective governmental fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the general long-term obligations account group. Compensated absences of proprietary funds are recorded as an expense and liability of the respective proprietary funds.



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**L. INTERFUND TRANSACTIONS**

During the course of normal operations the district has numerous transactions between funds. The most significant include:

1. Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

**M. LONG-TERM OBLIGATIONS**

The district's only long-term obligations are related to accrued wages and benefits and compensated absences payable. That portion of these long-term obligations expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

The district pays retirement through deductions from foundation payments, and at June 30 the district owed an obligation equal to six months deductions to the school employees retirement system. An amount equal to two months obligation is presented as a fund liability with the remainder presented in the general long-term account group.

**N. FUNDEQUITY**

**Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, endowments, advances, and set asides.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money allowed to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. The unreserved portions of fund equity reflected for the governmental funds are available for use within the special purpose of those funds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under state statute.

**O. MEMORANDUM ONLY - TOTAL COLUMNS**

Total columns on the general-purpose financial statements are captioned (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 changes in financial position 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.

**P. PROPRIETARY FUND ACCOUNTING**

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the district applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**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 that are 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, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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**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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

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

State legislation permits interim monies 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited, 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 issuance's 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;
6. The state treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits**

At fiscal year end the carrying amount of the district's deposits was \$366,375. The bank balance of deposits was \$540,735 and of the bank balance \$110,791 was covered by federal depository insurance. The remaining bank balance was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

**Investments**

The district's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the district or its agent in the district's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's trust department or agent in the district's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the counterpart or by its department or agent, but not in the district's name.

Based on the above criteria, the district's investments at year-end are classified as follows:

<u>Investments</u>	<u>Risk Category</u>	<u>Carrying Value/ Fair Value</u>
Municipal Bonds	1	\$ 5,000
Repurchase Agreement	3	2,390,636
STAR Ohio	N/A	<u>572,279</u>
Total		<u>\$2,967,915</u>

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

The district's investment in STAR Ohio is not categorized by risk because it is not evidenced by securities that exist in physical or book-entry form.

**NOTE 4 RETAINED EARNINGS DEFICITS**

Retained earnings at year-end included the following deficits that include accrual entries:

Enterprise	(\$345,801)
Internal Service	(\$323,183)

**NOTE 5 INTERFUND TRANSACTIONS**

Interfund balances at year-end consisted of the following individual fund receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$ -0-	\$ -0-	295,000	\$-0-
Enterprise	<u>-0-</u>	<u>-0-</u>	<u>\$ -0-</u>	<u>295,000</u>
Total	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$295,000</u>	<u>\$295,000</u>

**NOTE 6 PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2002 were based are as follows:

Tangible Personal	\$ 63,198,085
Public utility and real estate	<u>226,717,390</u>
Total assessed property value	<u>\$289,915,475</u>

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 dates. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by state law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

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 was due by January 20. If paid semi-annually, the first payment (at least 1/2 of amount billed) was due January 20 with remainder due on July 20.

The Fayette County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October.

Accrued property taxes receivable represent real property, personal property, and public utility taxes that became measurable as of the current year-end. 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

**NOTE 7 FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End of Year</u>
Land	\$ 227,200	34,298	\$ -0-	\$ 261,498
Bldg & Bldg. Improvements	5,351,792	223,193	-0-	5,574,985
Equipment	<u>7,397,517</u>	<u>566,350</u>	<u>56,150</u>	<u>7,907,717</u>
Total	<u>\$12,976,509</u>	<u>\$823,841</u>	<u>\$ 56,150</u>	<u>\$13,744,200</u>

A summary of the proprietary fund fixed assets at year-end follows:

Equipment	\$406,073
Less Accumulated Depreciation	<u>(327,414)</u>
Net Fixed Assets	<u>\$ 78,659</u>

MIAMI TRACE LOCAL SCHOOL DISTRICT  
 FAYETTE COUNTY, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

**NOTE 8 CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP**

During the fiscal year, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and accrued wages will be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>Beginning of Year</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>End of Year</u>
Accrued Wages & Benefits	\$ 106,331	\$ -0-	(\$ 5,086)	\$ 101,245
Compensated Absences	763,465	15,169	-0-	778,634
Judgment Payable	<u>54,517</u>	<u>-0-</u>	<u>(54,517)</u>	<u>-0-</u>
Total	<u>\$ 924,313</u>	<u>\$15,169</u>	<u>(\$59,603)</u>	<u>\$ 879,879</u>

**NOTE 9 SEGMENT INFORMATION**

**Enterprise Funds**

The district maintains three enterprise funds to account for the operations of food services, uniform school supply, and preschool and latchkey. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the district as of and for the current year-end.

	<u>Food</u> <u>Service</u>	<u>Uniform</u> <u>School</u> <u>Supply</u>	<u>Preschool</u> <u>And</u> <u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$630,468	\$ 13	\$ 96,080	\$ 726,561
Operating expenses before depreciation	966,586	7,454	108,950	1,082,990
Depreciation	23,201	-0-	-0-	23,201
Operating (Loss)	(359,319)	(7,441)	(12,870)	(379,630)
Operating Grants	231,900	-0-	-0-	231,900

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

Other non-operating Revenues (expenses)	29,845	-0-	132	29,977
Operating Transfers In	50,000	-0-	5,000	55,000
Net (Loss)	(47,574)	(7,441)	(7,738)	(62,753)
Net Working Capital	(351,842)	227	(2,918)	(354,533)
Total Assets	147,921	227	3,460	151,608
Total Liabilities	421,104	-0-	6,378	427,482
Total Equity	278,565	227	(2,918)	(275,874)

Contributed capital was unchanged during the year.

**NOTE 10 DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The Miami Trace Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the Miami Trace Local School District is required to contribute 14%. The contribution rates are determined actuarially, but are established by SERS's retirement board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The district's contribution to SERS for the years ending June 30, 2002, 2001, and 2000 were \$368,856, \$349,941, and \$306,186 respectively, 51% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. One hundred eighty-one thousand thirty-two dollars (\$181,032) representing the unpaid contribution for fiscal year 2002, is recorded as a liability with the respective funds and the general long-term obligations account group.



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**B. STATE TEACHERS RETIREMENT SYSTEM**

The Miami Trace Local School District contributes to the State Teacher Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS 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 issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That 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 Miami Trace Local 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 district's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$1,169,784, \$1,157,700, and \$1,098,276 respectively, 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. One hundred ninety-six thousand nine hundred thirty-six dollars (\$196,936) represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**NOTE 11 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

The State Teacher Retirement Board 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. The Retirement Board allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2002, will be 4.5% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal 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 9.80% of covered payroll, an increase from 8.45% for fiscal year 2001. 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 the fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, 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% of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenue and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
From GAAP Basis to Budgetary Basis

<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	(\$1,152,023)	\$10,340	(\$50,008)
Net Adjustment for Revenue Accruals	291,392	(154,962)	43,133
Expenditure Accruals	1,013,338	48,170	3,955
Adjustment for Encumbrances	<u>(579,254)</u>	<u>(79,650)</u>	<u>(224,455)</u>
Budgetary Basis	<u>(\$426,547)</u>	<u>(\$176,102)</u>	<u>(\$227,375)</u>

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

**NOTE 13 CONTINGENT LIABILITIES**

**Grants**

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

**NOTE 14 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 23 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 \$141,406 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

The 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 district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District Board of Education acts as fiscal agent. The district paid Hopewell \$115,810 for services provided during the year. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.

MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

**NOTE 15 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 from private carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the general aggregate. Other liability insurance includes \$2,000,000 for fleet liability, and \$2,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$38,291,895.

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

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

**NOTE 16 STATE AND FEDERAL GRANTS**

The state and federal financial assistance grants are audited by the auditor of state as part of their regular audit. Instances of noncompliance with state and/or federal grant requirements, if any, would be disclosed in a separate part of this presentation.

MIAMI TRACE LOCAL SCHOOL DISTRICT  
 FAYETTE COUNTY, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)

**NOTE 17 SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The district is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**NOTE 18 STATUTORY RESERVES**

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, 2002, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Balance, June 30, 2001	\$-0-	\$-0-	\$59,829
Amount From Prior Years Which Exceeded Required Set-Aside	(\$1,064,450)	N/A	N/A
Required Set-Aside	\$343,077	\$343,077	N/A
Offset Credits	(\$313,422)	(\$768,375)	N/A
Qualifying Expenditures	(\$340,515)	(\$363,320)	N/A
Reduction in Accordance With Senate Bill 345	N/A	N/A	\$38,429
Balance, June 30, 2002	(\$1,375,310)	(\$788,618)	\$21,400
Balance Carried Forward to FY2003 Reserved June 30, 2002	(\$1,375,310)	\$-0-	\$21,400

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2002 (Continued)**

Expenditures for textbook and instructional material activities during the year totaled \$340,515, and offset credits for textbook and instructional material activities totaled \$313,422, which exceeded the amount required for the set-aside by \$310,860. This amount, along with the excess amount of \$1,064,450 from fiscal year 2001, may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.

Senate Bill 345 eliminated the Budget Stabilization Reserve. Senate Bill 345 also restricted what the district may use Bureau of Workers' Compensation refunds for which the district was previously required to deposit into the Budget Stabilization Reserve. The Board of Education elected to spend the Bureau of Workers' Compensation refunds on textbooks and instructions materials, including science equipment or laboratories, and maintain the remaining balance of this reserve in a reserve established in accordance with ORC 5705.13(A). The balance in the Budget Stabilization Reserve reflects Bureau of Workers' Compensation refunds previously received in the Budget Stabilization Reserve less expenditures for textbooks and instructions materials.

Expenditures for capital activity during the year totaled \$363,320, and offsets totaled \$768,375, which exceeded the amount required for the set-aside. Although the school 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 19 PRIOR PERIOD ADJUSTMENT**

The beginning fund balance of the Expendable Trust and Non-Expendable Trust funds have been adjusted for corrections detailed as follows:

	Expendable Trust	Non-Expendable Trust
	<u>Fund</u>	<u>Fund</u>
Balance previously stated,		
June 30, 2001	\$2,352	\$315,168
Prior period adjustment	<u>6,570</u>	<u>(6,570)</u>
As restated, July 1, 2001	<u>\$8,922</u>	<u>\$308,598</u>

**MIAMI TRACE LOCAL SCHOOL DISTRICT**  
**FAYETTE COUNTY, OHIO**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$29,354	\$0	\$28,458
National School Breakfast Program	05-PU-01	10.553	41,543	0	41,543	0
National School Lunch Program	05-PU-02					
National School Lunch Program	LL-P4-01	10.555	175,835	0	175,835	0
National School Lunch Program	LL-P4-02					
Total U.S. Department of Agriculture - Nutrition Cluster			<u>217,378</u>	<u>29,354</u>	<u>217,378</u>	<u>28,458</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI B)	6B-SF-01 6B-SF-00 6B-ST-00	84.027	209,026	0	246,569	0
Total Special Education Cluster			<u>209,026</u>	<u>0</u>	<u>246,569</u>	<u>0</u>
Family Support Act - JOBS	JB-S1-95 JB-S1-94	93.021	0		2,533	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01 C1-S1-02	84.010	500,385	0	467,674	0
Innovative Educational Program Strategies	C2-S1-01 C2-S1-02	84.298	12,729	0	9,518	0
Drug-Free Schools Grant	DR-S1-01 DR-S1-02	84.186	10,417	0	11,063	0
Eisenhower Prof Development State Grant	MS-S1-01 MS-S1-02	84.281	16,755	0	2,705	0
Educatio Systemic Improvement Grants	G2-SP-01	84.276	5,000	0	4,333	0
Class Size Reduction	CR-S1-01 CR-S1-02	84.340	100,874	0	97,155	0
Total Department of Education			<u>855,186</u>	<u>0</u>	<u>841,550</u>	<u>0</u>
<b><u>U.S. DEPARTMENT OF MENTAL RETARDATION and DEVELOPMENTAL DISABILITIES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fud System (CAFS)	N/A	93.778	26,097	0	26,097	0
Total Department of Mental Retardation and Developmental Disabilities			<u>26,097</u>	<u>0</u>	<u>26,097</u>	<u>0</u>
<b><u>U.S. DEPARTMENT OF HEALTH</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Individuals with Disabilities Education Act Early Intervention/Nutrition	N/A	84.181	19,502	0	24,384	0
Total Department of Health			<u>19,502</u>	<u>0</u>	<u>24,384</u>	<u>0</u>
<b>Totals</b>			<u><u>\$1,118,163</u></u>	<u><u>\$29,354</u></u>	<u><u>\$1,109,409</u></u>	<u><u>\$28,458</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B--NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C-COMMUNITY ALTERNATIVE FUNDING SYSTEM**

Receipts for this grant are posted to general fund. It is assumed federal monies are expended first.

**NOTE D -TITLE VI B**

The District received SIG grant funds of \$50,000 on 12-28-01 which were returned to the State on 1-25-02, as the grant period had expired. Also, the District returned \$1,800 of SIG grant funds to the State on 1-16-02 as the grant period had expired. These amounts are not reflected on the Schedule of Federal Awards Expenditures as receipts and/or expenditures.





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Miami Trace Local School District  
Fayette County  
1400 U.S. Route 22 NW  
Washington Courthouse, Ohio 43160

To the Board of Education:

We have audited the financial statements of Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether Miami Trace 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 Miami Trace 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Miami Trace Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10624-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Miami Trace Local School District in a separate letter dated March 24, 2003.

250 W. Court St. / Suite 150 E / Cincinnati, OH 45202  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Miami Trace Local School District  
Fayette County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, board of education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 24, 2003



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Miami Trace Local School District  
Fayette County  
1400 U.S. Route 22 NW  
Washington Courthouse, Ohio 43160

To the Board of Education:

#### **Compliance**

We have audited the compliance of Miami Trace Local School District, Fayette County, Ohio (the 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 its major federal program for the year ended June 30, 2002. Miami Trace Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Miami Trace Local School District's management. Our responsibility is to express an opinion on Miami Trace Local School District's compliance based on our audit.

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

In our opinion, Miami Trace 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, 2002.

#### **Internal Control Over Compliance**

The management of Miami Trace Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Miami Trace 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 and use of the audit committee, management, board of education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 24, 2003

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title 1, CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2002-10624-001**

**Reportable Condition**

Organizations that use service organizations to process certain transactions should gain assurance that the service organization has controls in place and operating effectively to reduce the risk that transactions are not processed correctly.

During the 2002 fiscal year, the Miami Trace Local School District (District) entered into an agreement with the South Central Ohio Insurance Consortium (SCOIC) to manage the District's self-funded health insurance. SCOIC delegates employee health insurance claims processing, which is a significant accounting function for the District, to a third party administrator, EV Benefits. SCOIC has not established procedures to determine whether the service organization, EV Benefits, has sufficient controls in place and operating effectively to ensure that health insurance claims processed on behalf of the school districts participating in the Consortium have been completely and accurately processed in accordance with their health insurance contracts. Also, during the 2002 fiscal year, the District did not establish procedures to determine whether EV Benefits has sufficient controls in place and operating effectively to ensure that health insurance claims processed on behalf of the District were completely and accurately processed in accordance with their specific health insurance contract.

**FINDING NUMBER 2002-10624-001**  
**(Continued)**

During the 2002 audit, the auditors informed the District of the need to determine that health insurance claims processed on behalf of the District were completely and accurately processed in accordance with their specific health insurance contract. The District then requested from EV Benefits a register of claims paid on the District's behalf to verify the completeness and accuracy of the claims. However, the District indicated that EV Benefits did not provide the District with a register of claims because EV Benefits believed that releasing this information would violate the Health Insurance Portability and Accountability Act of 1996. In response to a November 27, 2002 request by the District's legal counsel, EV Benefits did provide a claims register for the period from October 1, 2001 through November 1, 2002. The District tested claims on these registers and verified that the claims paid by EV Benefits were for District employees in accordance with the contract.

A failure by the District to ensure, on an on-going basis, that health insurance claims processed on behalf of the District are completely and accurately processed in accordance with their specific health insurance contract could result in the District expending health insurance funds for services not authorized by the contract, or expending funds to individuals not covered by the contract.

The District should implement procedures to assure the completeness, and accuracy (including eligibility and allowability) of health insurance claims processed by its third party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the District with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract. Since there was no SAS 70 report available, the Auditor of State performed control testing at the Service Organization.

EV Benefits obtained a Tier 1 SAS 70 report "Independent Service Auditor's Report Provided by Service Auditor" dated December 31, 2002. However, a Tier 1 SAS 70 report is of limited benefit to the District because it only provides assurance that: 1) the description of the controls are fairly described; 2) that the controls are suitably designed to meet control objectives specified in the description; and 3) that the controls are in place and operating as of the opinion date. A Tier 1 SAS 70 report provides no opinion on the operating effectiveness of the controls.

We recommend that the District work with SCOIC to specify in their contract with the third party administrator that an annual Tier II SAS 70 audit report be performed. The District should be provided a copy of the SAS 70 report in a timely manner and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the District with a SAS 70 report, we recommend that the District only contract with a third-party administrator that will provide such a report. If the EV Benefits provides a Tier II SAS 70 report, we recommend that the District establish procedures to review on a monthly basis lists of employees for which benefits were paid to ensure that claims paid were for valid employees of the District.

In the absence of a Tier II SAS 70 audit report, the District should establish procedures to strictly monitor claims processed by EV Benefits to ensure that all claims were for valid employees and are in accordance with the contract. The claims information provided by EV Benefits to the District should be considered confidential and should be used by the District in compliance with the Health Insurance Portability and Accountability Act.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.







**Auditor of State  
Betty Montgomery**

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**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  
APRIL 15, 2003**