



**Auditor of State
Betty Montgomery**

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget - Actual (Non-GAAP Budgetary Basis) - General Fund.....	20
Statement of Net Assets - Fiduciary Funds	21
Notes to the General Purpose Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	49
Schedule of Findings.....	51

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Miamisburg City School District
Montgomery County
540 Park Avenue
Miamisburg, Ohio 45342

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miamisburg City School District, Montgomery County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2003, and the respective changes in financial position and, and the respective budgetary comparison for the General Fund 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 February 10, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected this to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic 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

February 10, 2004

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

As management of the Miamisburg City School District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2003.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$20.8 million (net assets). Of this amount, \$4.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's net assets increased by \$ 3.3 million or 18.6%. Program revenues accounted for \$5.9 million, or 13.4% of total revenues, and general revenues accounted for \$38.4 million, or 86.6%.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11.2 million, an increase of \$1.8 million in comparison with the prior year. Of this total amount, \$7.9 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5.8 million, or 16.8% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The District has no proprietary funds.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains forty (40) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the permanent improvement capital projects fund, both of which are considered to be major funds. Data from the other thirty-eight (38) governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs

The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-42 of this report.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20.8 million at the close of the most recent fiscal year.

By far, the largest portion of the District's net assets (56 percent) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (22.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4.5 million) may be used to meet the district's ongoing obligations to citizens and creditors.

District Net Assets	
2003	
Current Assets	\$43,011,152
Capital Assets	<u>20,967,229</u>
Total Assets	63,978,381
Current Liabilities	31,522,230
Long Term Liabilities	<u>11,635,819</u>
Total Liabilities	43,158,049
Net Assets:	
Invested in Capital Assets, net of debt	11,672,229
Restricted	4,681,109
Unrestricted	<u>4,466,994</u>
Total Net Assets	<u>\$20,820,332</u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities

Governmental activities increased the District's net assets by \$3.3 million, or 18.6%. Key elements of this increase are as follows:

Changes in Net Assets Governmental Activities 2003	
Revenues	
Program Revenues	
Charges for Services	\$ 1,959,647
Operating Grants	<u>3,972,232</u>
Total Program Revenues	<u>5,931,8879</u>
General Revenues	
Property Taxes	26,996,664
Grants and Entitlements	10,388,752
Payment in Lieu of Taxes	353,969
Investment Earnings	262,243
Miscellaneous	<u>415,348</u>
Total General Revenues	<u>38,416,976</u>
Total Revenues	<u>\$ 44,348,855</u>
Expenses	
Program Expenses	
Instruction	
Regular	18,278,854
Special	3,670,024
Vocational	641,446
Support Services	
Pupil	3,851,971
Instructional Staff	1,687,396
Administration	2,913,734
Fiscal	839,891
Business	258,157
Maintenance	2,955,844
Pupil Transportation	2,101,035
Central	731,257
NonInstructional Activities	1,852,566
Extracurricular Activities	730,763
Interest and Fiscal Charges	<u>441,965</u>
Total Expenses	<u>\$ 40,954,903</u>
Change in Net Assets	<u>\$ 3,393,952</u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. The net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted state entitlements.

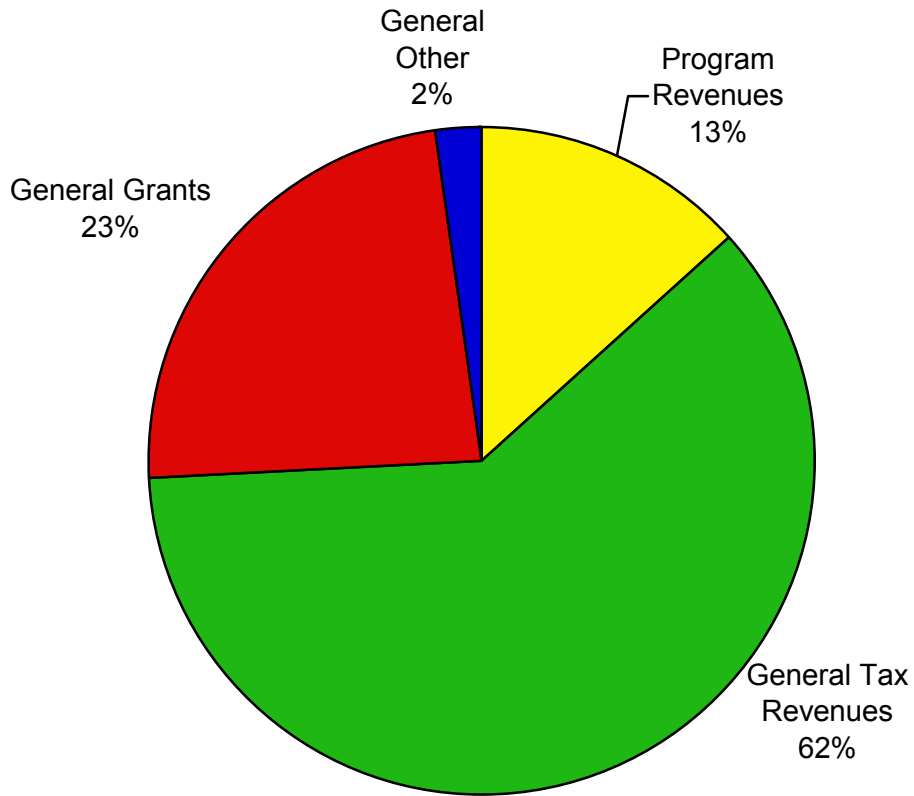
	Total Cost of Services 2003	Net Cost of Services 2003
Program Expenses		
Instruction		
Regular	\$18,278,854	\$17,680,881
Special	3,670,024	2,354,486
Vocational	641,446	549,864
Support Services		
Pupil	3,851,971	3,612,169
Instructional Staff	1,687,396	1,618,347
General Administration	33,271	33,271
School Administration	2,880,463	2,880,463
Fiscal	839,891	839,891
Business	258,157	258,157
Maintenance	2,955,844	2,568,940
Pupil Transportation	2,101,035	1,189,199
Central	731,257	712,088
Noninstructional Activities	1,852,566	(109,972)
Extracurricular Activities	730,763	393,275
Interest and Fiscal Charges	<u>441,965</u>	<u>441,965</u>
Total Expenses	<u>\$40,954,903</u>	<u>\$35,023,024</u>

The District's reliance upon tax revenues is demonstrated by the graph above indicating 62% of total revenues from local taxes. The reliance on general revenues is indicated by the net services column reflecting the need for \$38.4 million of support as well as the graph indicating general revenues comprise 87% of total revenues.

MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Financial Analysis of the Government's Funds



As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11.2 million, an increase of \$1.8 million in comparison with the prior year. Approximately 71% of this amount (\$7.9 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$1.8 million) or for a variety of other restricted purposes (\$1.6 million).

The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2003 and 2002.

	Fund Balance June 30, 2003	Fund Balance June 30, 2002	Increase (Decrease)
General	\$7,627,993	\$5,764,221	\$1,863,772
Permanent Improvement	1,515,898	1,836,950	(321,052)
Other Governmental	<u>2,081,770</u>	<u>1,770,166</u>	<u>311,604</u>
Total	<u>\$11,225,661</u>	<u>\$9,371,337</u>	<u>\$1,854,324</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5.8 million, while total fund balance reached \$7.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.8% of total general fund expenditures, while total fund balance represents 22.2% of that same amount.

The fund balance of the District's general fund increased by \$1.9 million during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

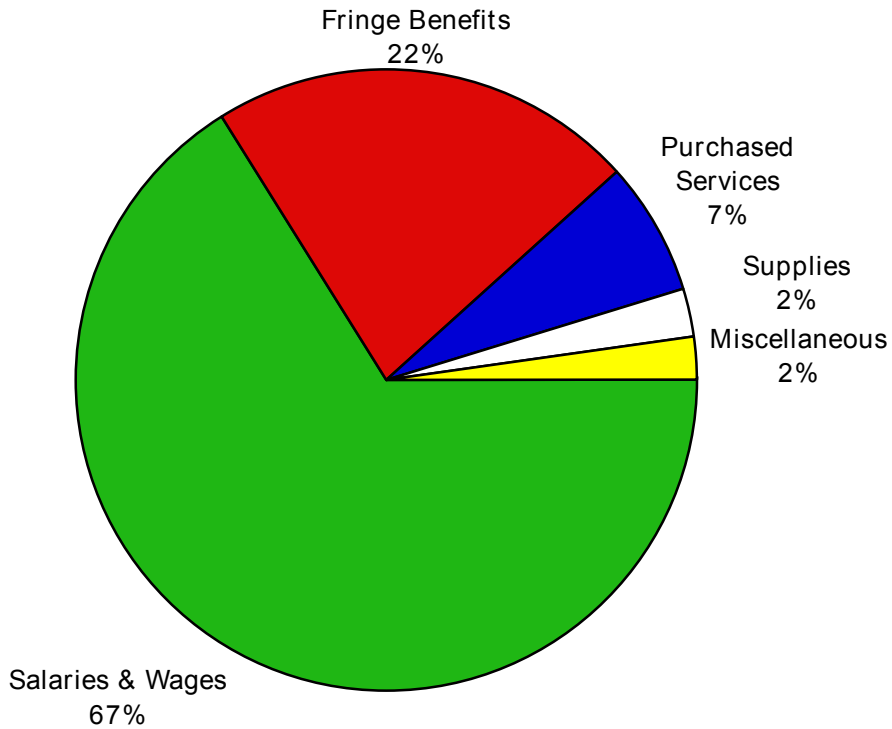
General Fund Revenue Comparative Analysis

<u>Revenues</u>	<u>2003 Amount</u>	<u>2002 Amount</u>	<u>Percentage Change</u>
Taxes	\$23,862,692	\$22,375,239	6.6%
Intergovernmental	11,205,879	10,595,722	5.8
Interest	250,717	443,650	(43.5)
Tuition	244,419	195,076	25.3
Other Revenue	<u>577,573</u>	<u>477,809</u>	<u>20.9</u>
Total	<u>\$36,141,280</u>	<u>\$34,087,496</u>	<u>6.0%</u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

As the graph below illustrates, the largest portions of general fund expenditures is for salaries and fringe benefits. The District is a service entity and as such is labor intensive.



<i>Expenditures by Object</i>	2003 Amount	2002 Amount	Percentage Change
Salaries and Wages	\$ 22,721,498	\$ 21,891,327	3.79%
Fringe Benefits	7,635,737	6,449,377	18.39%
Purchased Services	2,382,099	2,336,099	1.97%
Supplies	777,647	860,056	(9.58)%
Miscellaneous	799,448	935,636	(14.56)%
Total	<u>\$34,316,429</u>	<u>\$ 32,472,495</u>	5.68%

The expenditures are up \$1.84 million or 5.7% over the prior year. General fund revenues exceeding expenditures and the correlating increase to fund balance indicates improving financial health of the District.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Permanent Improvement Fund

The permanent improvement capital projects fund has a total fund balance of \$1.5 million, \$.94 million of which is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$.8 million) or for a variety of other restricted purposes (\$.14 million). The permanent improvement capital projects fund did not experience a significant change in fund balance. The revenues of the fund are property taxes and homestead and rollback monies received from the state. The expenses of the fund are primarily for capital outlay.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Differences between the original budget and the final amended budget were relatively minor. The final amended revenue estimate exceeded the original estimate by \$1.3 million, or 3.7%, and the final appropriations exceeded the original resolution by \$.6 million, or 1.5%.

The District's final amended certificate was approximately \$.7 million less than actual revenues. The difference was due to a late receipt of rollback & homestead funds from the state. There was no difference between the District's final amended budget and actual expenditure amounts.

Capital Assets

The District's investment in capital assets as of June 30, 2003, amounts to \$21 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture and equipment, and vehicles. Total acquisitions for the current fiscal year were \$ 2.9 million and depreciation was \$1.3 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 7).

Debt

At June 30, 2003, the District had \$8.635 million in outstanding bonds payable and \$.66 million in outstanding notes. The District paid \$ 220,000 in principal on bonds outstanding during the fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 12).

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2003, the District's general obligation debt was below the legal limit.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Restrictions and Other Limitations

A major challenge facing the District is the future of state funding. On September 6, 2001 the Ohio Supreme Court found the Ohio School Funding system to be unconstitutional pending some modifications by the legislature.

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

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**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,819,952
Receivables:	
Taxes	27,721,567
Accounts	238,240
Intergovernmental	1,074,248
Interest	15,088
Inventory Held for Resale	23,421
Restricted Cash	118,636
Capital Assets, Net	20,967,229
Total Assets	63,978,381
Liabilities	
Accounts Payable	756,241
Accrued Wages and Benefits	3,554,134
Intergovernmental Payable	988,763
Deferred Revenue	26,223,092
Long-Term Liabilities	
Due within One Year	1,029,210
Due in More Than One Year	10,606,609
Total Liabilities	43,158,049
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,672,229
Restricted for:	
Budget Stabilization	118,636
Debt Service	834,126
Capital Projects	1,556,530
Other Purposes	2,171,817
Unrestricted	4,466,994
Total Net Assets	\$20,820,332

See accompanying notes to the financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instruction				
Regular	\$18,278,854	\$438,985	\$158,988	(\$17,680,881)
Special	3,670,024	18,854	1,296,684	(2,354,486)
Vocational	641,446		91,582	(549,864)
Support Services				
Pupils	3,851,971		239,802	(3,612,169)
Instructional Staff	1,687,396		69,049	(1,618,347)
General Administration	33,271			(33,271)
School Administration	2,880,463			(2,880,463)
Fiscal Services	839,891			(839,891)
Business	258,157			(258,157)
Maintenance	2,955,844		386,904	(2,568,940)
Pupil Transportation	2,101,035		911,836	(1,189,199)
Central	731,257		19,169	(712,088)
Non-instructional	1,852,566	1,164,320	798,218	109,972
Extra Curricular Activities	730,763	337,488		(393,275)
Interest and Fiscal Charges	441,965			(441,965)
Total Governmental Activities	40,954,903	1,959,647	3,972,232	(35,023,024)
General Revenues				
Property Taxes Levied for:				
General Purposes				23,862,692
Debt Service				2,416,325
Capital Projects				717,647
Grants & Entitlements not Restricted to Specific Programs				10,388,752
Payment in Lieu of Taxes				353,969
Investment Earnings				262,243
Miscellaneous				415,348
Total General Revenues				38,416,976
Change in Net Assets				3,393,952
Net Assets Beginning of Year (See Note 19)				17,426,380
Net Assets End of Year				\$20,820,332

See accompanying notes to the financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,575,653	\$1,517,558	\$2,726,741	\$13,819,952
Receivables:				
Taxes	24,560,375	2,512,373	648,819	27,721,567
Accounts	196,866		41,374	238,240
Intergovernmental	164,569		909,679	1,074,248
Interest	15,088			15,088
Inventory Held for Resale			23,421	23,421
Restricted Cash	118,636			118,636
Interfund Receivable	716,162			716,162
Total Assets	<u>35,347,349</u>	<u>4,029,931</u>	<u>4,350,034</u>	<u>43,727,314</u>
Liabilities:				
Accounts Payable	322,685	138,681	294,875	756,241
Accrued Wages and Benefits	3,341,879		212,255	3,554,134
Intergovernmental Payable	677,627		51,708	729,335
Interfund Payable			716,162	716,162
Deferred Revenue	23,238,561	2,375,352	992,658	26,606,571
Compensated Absences Payable	138,604		606	139,210
Total Liabilities	<u>27,719,356</u>	<u>2,514,033</u>	<u>2,268,264</u>	<u>32,501,653</u>
Fund Balances:				
Reserved				
Encumbrances	425,382	808,689	597,005	1,831,076
Budget Stabilization	118,636			118,636
Inventory			23,421	23,421
Property Taxes	1,321,814	137,021	38,467	1,497,302
Unreserved, Reported in:				
General Fund	5,762,161			5,762,161
Special Revenue Funds			782,391	782,391
Debt Service Fund			795,659	795,659
Capital Project Funds (Deficit)		570,188	(155,173)	415,015
Total Fund Balances	<u>7,627,993</u>	<u>1,515,898</u>	<u>2,081,770</u>	<u>11,225,661</u>
Total Liabilities and Fund Balances	<u>\$35,347,349</u>	<u>\$4,029,931</u>	<u>\$4,350,034</u>	<u>\$43,727,314</u>

See accompanying notes to the financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Total Governmental Fund Balances \$11,225,661

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 20,967,229

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 383,479

Long-Term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported
in the funds.

Intergovernmental Payable	(259,428)
Interest Payable	
Compensated Absences	(2,201,609)
General Obligation Debt	<u>(9,295,000)</u>
	<u>(11,756,037)</u>

Net Assets of Governmental Activities \$20,820,332

See accompanying notes to the financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$23,862,692	\$2,416,325	\$717,647	\$26,996,664
Intergovernmental	11,205,879	263,965	2,507,661	13,977,505
Charges for Services			1,357,310	1,357,310
Interest	250,717		11,526	262,243
Tuition and Fees	244,419		220	244,639
Extracurricular Activities			266,912	266,912
Other	577,573	7,152	90,786	675,511
Total Revenues	<u>36,141,280</u>	<u>2,687,442</u>	<u>4,952,062</u>	<u>43,780,784</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,787,628	618,568	521,535	17,927,731
Special	2,942,180	6,867	687,962	3,637,009
Vocational	586,634	65,356		651,990
Support services:				
Pupils	3,490,521		313,185	3,803,706
Instructional staff	1,233,544	34,592	105,362	1,373,498
Board of Education	33,420	478		33,898
Administration	2,825,733	42,735	48	2,868,516
Fiscal	796,468	55,466	9,705	861,639
Business	255,732	490		256,222
Operation and Maintenance of Plant	2,676,560	420,239	118,059	3,214,858
Pupil Transportation	1,731,492	555,657	11,709	2,298,858
Central	587,457		143,217	730,674
Non-instructional Services			1,865,015	1,865,015
Extracurricular Activities	337,979		347,274	685,253
Capital Outlay	31,081	1,868,094	1,045	1,900,220
Debt service:				
Principal Retirement			220,000	220,000
Interest and Fiscal Charges			441,965	441,965
Total Expenditures	<u>34,316,429</u>	<u>3,668,542</u>	<u>4,786,081</u>	<u>42,771,052</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>1,824,851</u>	<u>(981,100)</u>	<u>165,981</u>	<u>1,009,732</u>
Other Financing Sources (Uses):				
Other Financing Sources	184,544	48		184,592
Proceeds from Notes		660,000		660,000
Transfers In			145,623	145,623
Transfers Out	(145,623)			(145,623)
Total Other Financing Sources (Uses)	<u>38,921</u>	<u>660,048</u>	<u>145,623</u>	<u>844,592</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Revenues	1,863,772	(321,052)	311,604	1,854,324
Fund Balance at Beginning of Year	5,764,221	1,836,950	1,770,166	9,371,337
Fund Balance at End of Year	<u>\$7,627,993</u>	<u>\$1,515,898</u>	<u>\$2,081,770</u>	<u>\$11,225,661</u>

See accompanying Notes to the General Purpose Financial Statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$1,854,324

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

1,596,415

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

383,479

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.

220,000

In the statement of activities, note proceeds are recorded as a liability, whereas in governmental funds, a revenue is recorded when proceeds are received.

(660,000)

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(266)

Change in Net Assets of Governmental Activities

\$3,393,952

See accompanying notes to the financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER/(UNDER)</u>
Total Revenues	\$ 34,340,717	\$ 35,629,738	\$ 36,337,784	\$ 708,046
Expenditures:				
Current:				
Instruction:				
Regular	16,828,151	16,843,401	16,843,401	
Special	2,976,592	3,078,740	3,078,740	
Vocational	569,864	604,478	604,478	
Other	1,178,108	138,359	138,359	
Support Services:				
Pupils	3,069,581	3,444,079	3,444,079	
Instructional Staff	1,445,087	1,287,915	1,287,915	
Board of Education	46,275	36,547	36,547	
Administration	2,818,287	2,786,985	2,786,985	
Fiscal	850,063	816,717	816,717	
Business	259,957	261,194	261,194	
Operations of Maintenance of Plant	2,788,000	2,748,472	2,748,472	
Pupil Transportation	1,796,087	1,874,205	1,874,205	
Central	1,134,785	607,107	607,107	
Extracurricular Activities:	381,600	346,893	346,893	
Capital Outlay	33,696	31,081	31,081	
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Total Expenditures	<u>36,176,133</u>	<u>34,906,173</u>	<u>34,906,173</u>	
Excess of Revenues Over (Under) Expenditures	<u>(1,835,416)</u>	<u>723,565</u>	<u>1,431,611</u>	<u>708,046</u>
Other Financing Sources (Uses):				
Transfers -Out	(75,000)	(145,623)	(145,623)	
Advances - Out	(200,000)	(844,316)	(844,316)	
Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>(989,939)</u>	<u>(989,939)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,110,416)</u>	<u>(266,374)</u>	<u>441,672</u>	<u>708,046</u>
Fund Balances at Beginning of Year	7,669,453	7,669,453	7,669,453	
Prior Year Encumbrances Appropriated	851,920	851,920	851,920	
Fund Balances at End of Year	<u>\$ 6,410,957</u>	<u>\$ 8,254,999</u>	<u>\$ 8,963,045</u>	<u>\$ 708,046</u>

See accompanying notes to the general purpose financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Agency Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$140,957
Accounts Receivable	756
Total Assets	<u>141,713</u>
Liabilities:	
Accounts Payable	1,555
Due to Others	41,318
Due to Students	98,840
Total Liabilities	<u>\$141,713</u>

See accompanying notes to the financial statements.

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**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Miamisburg City School District (the "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 first official body designated as the Miamisburg City School District was formed in the 1800's.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. The Board controls the District's instructional/support facilities staffed by 580 full-time employees. There are 361 certificated employees including 20 administrators and 219 classified employees including 5 administrators, who provide services to 5,214 students and other community members.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading.

The primary government consists of all funds and departments that provide various services including vocational and adult instruction, student guidance, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes.

The District does not have any component units.

The District is associated with three organizations that are defined as jointly governed. These organizations include the Metropolitan Dayton Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative and the Miami Valley Technical Center. These organizations are presented in Note 14 to the basic financial statements.

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 more significant accounting policies are described below.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Major Governmental Funds:

General Fund - The 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.

Permanent Improvement Capital Projects Fund – The Permanent Improvement 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 and trust funds.

Other Fund Types:

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

Fiduciary Funds - Fiduciary Funds are used to account for 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 private purpose trust and agency funds. Private-purpose trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

C. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenues, Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, grants and student fees.

Deferred Revenue

The District reports deferred revenue on its statement of net assets and governmental fund balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available, and for tax receipts the "intended to finance" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

E. Cash and Investments

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost.

During fiscal year 2003, the School District invested in Federal Agency Securities, Commercial Paper, and STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). 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 the last day of the fiscal year.

Under existing Ohio statutes, all investment earnings accrue to the general and food service funds. Interest earnings are allocated to these funds based on average monthly cash balances. Investment income credited to the general fund during the fiscal year amounted to \$250,717. The food service fund and auxiliary services fund also received interest revenue of \$6,114 and \$5,412 respectively.

F. Inventory Held for Resale

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Capital Assets and Depreciation

General capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest costs as part of fixed assets. Interest is expensed as incurred. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure.

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

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land Improvements	10 - 25
Buildings & Improvements	20 - 50
Furniture and Equipment	5 - 20
Vehicles	1 - 15

H. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

School Bus Purchase Program

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Alternative Schools Grant	Auxiliary Services
Career Education Grant	Connectivity Grant
CSRD Grant	DPIA
Drug Free School Grant	Eisenhower Grant
Career Development Grant	Education Management Information Systems
Ohio Reads	Parent Involvement Grant
Partnership for Tomorrow's School	Pre-school Disabilities Grant
Tech Prep Grant	Professional Development Block Grant
Title I	Title VI
Title VI-B	Venture Capital Grant

Capital Project Fund

School Net

School Net Plus

Reimbursable Grants

Special Revenue Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately thirty-three percent of the School District's operating revenue during the 2003 fiscal year.

J. Restricted Assets

Restricted assets in the general fund represent restricted cash and cash equivalents whose use is limited by the legal requirements. Restricted assets include amount required by statute to be set-aside by the District for the creation of a reserve for budget stabilization.

K. Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the termination method, which states that an accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-term Obligations

All accrued liabilities and long-term debt is reported in the entity-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

M. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, inventory, and taxes available for advance.

N. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

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

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

Estimated Resources: By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

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

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

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

3. BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. The Statement of Revenues, Expenditures and Changes in Fund Balances, Budget (Non-GAAP Basis) and Actual presented for the general fund and each major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. BUDGET TO GAAP RECONCILIATION (Continued)

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the enterprise fund (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements:

**Excess of Revenues and
Other Financing Sources Over (Under)
Expenditures and Other Financing Uses**

	General Fund
GAAP Basis	\$1,863,772
Revenue Accruals	(263,372)
Expenditure Accruals	151,030
Encumbrances	(740,774)
Advances In (Out)	(568,984)
Budget Basis	\$ 441,672

4. DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories.

Active Monies - Those monies required to be kept in a "cash or "near-cash" status for immediate use by the district. Such monies must 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.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. The Ohio Revised Code authorizes the District to invest interim monies in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States corporations; and STAR Ohio.

Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the financial institution holding the assets. By law, financial institutions must establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds on deposit. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits

At year-end, the carrying amount of the District's deposits was \$ 6,144,947 and the bank balance was \$ 6,294,800. Of the bank balance, \$276,290 was covered by federal deposit insurance. The remaining amounts were uninsured.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the District holds the securities. Category 2 includes uninsured and unregistered investments for which the counter-party's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party or by its trust department or agent but not in the District's name.

	Category 2	Carrying Value	Market Value
Federal Agency Securities	\$6,652,843	\$6,652,843	\$6,640,658
Commercial Paper	748,475	748,475	749,565
STAR Ohio		533,280	533,280
Total	\$7,401,318	\$7,934,598	\$7,923,503

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between classifications of cash and investments on the financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$14,079,545	\$ 0
Federal Agency Securities	(6,652,843)	6,652,843
Commercial Paper	(748,475)	748,475
STAR Ohio	<u>(533,280)</u>	<u>533,280</u>
GASB Statement 3	<u>\$ 6,144,947</u>	<u>\$7,934,598</u>

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2003 represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Montgomery County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$1,321,814 in the General Fund, \$137,022 in the permanent improvement fund and \$38,467 in the bond retirement fund. The amount available as an advance at June 30, 2002, was \$ 1,209,801 in the general fund, \$138,408 Permanent Improvement Capital Projects Fund and \$37,900 in the Bond Retirement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>2003 First- Half Collections</u>	<u>Percent</u>	<u>2003 Second- Half Collections</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$ 655,496,530	81.44%	\$ 742,337,610	83.52%
Public Utilities Personal	25,442,020	3.16	26,620,450	3.00
Tangible Personal Property	<u>123,909,187</u>	<u>15.40</u>	<u>119,815,684</u>	<u>13.48</u>
Total	<u>\$ 804,847,737</u>	<u>100.00%</u>	<u>\$ 888,773,744</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 <u>47.70</u>		 <u>47.02</u>	

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts, intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of receivable follows:

Taxes – Current and Delinquent Account	\$ 27,721,567
Intergovernmental	238,240
Interest	1,074,248
Total Receivable	<u>15,088</u> <u>\$ 29,049,143</u>

7. CAPITAL ASSETS

Beginning balances for Equipment and Vehicles have been adjusted to reflect assets acquired in prior periods that were not reflected on prior period audited financial statements.

A summary of capital asset activity during the fiscal year follows:

	Balance June 30, 2002	Prior Period Adjust	Restated June 30, 2002	Additions	Deletions	Balance 6/30/03
<i>Governmental Activities</i>						
Land and Improvements	\$1,338,674		\$ 1,338,674	\$1,981,773		\$ 3,320,447
Buildings	23,088,963		23,088,963	222,351		23,311,314
Equipment	6,748,638	245,442	6,994,080	386,306	552,704	6,827,682
Vehicles	2,445,728	28,500	2,474,228	353,605	80,146	2,747,687
Totals	<u>33,622,003</u>	<u>273,942</u>	<u>33,895,945</u>	<u>2,944,035</u>	<u>632,850</u>	<u>36,207,130</u>
Accumulated Depreciation:						
Land and Improvements	133,131		133,131	24,276		157,407
Buildings	8,723,887		8,723,887	479,153		9,203,040
Equipment	3,740,747	142,953	3,883,700	690,411	430,910	4,143,201
Vehicles	1,637,717	24,902	1,662,619	153,780	80,146	1,736,253
Total	<u>14,235,482</u>	<u>167,855</u>	<u>\$14,403,337</u>	<u>1,347,620</u>	<u>511,056</u>	<u>15,239,901</u>
Capital Assets, Net	<u>\$19,386,521</u>	<u>\$106,087</u>	<u>\$19,492,608</u>	<u>\$1,596,415</u>	<u>\$121,794</u>	<u>\$20,967,229</u>

* Depreciation Expense was charged to governmental functions as follows:

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. CAPITAL ASSETS (Continued)

Instruction:	
Regular	\$ 588,037
Special	39,957
Vocational	17,136
Support Services:	
Pupil	9,336
Instructional Staff	325,667
Board of Education	152
School Administration	50,916
Fiscal Services	1,672
Business	6,970
Operations & Maintenance	80,159
Pupil Transportation	169,130
Central	1,256
Op. of Non-Instructional Services	46,584
Extracurricular Activities	<u>10,648</u>
Total Depreciation Expense	<u>\$ 1,347,620</u>

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$528,336, \$287,224 and \$976,301 respectively; 57.02 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,565,961, \$1,532,415, and \$2,645,715 respectively; 83.07 percent has been contributed for the fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

9. POSTEMPLOYMENT BENEFITS

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

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$197,382 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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 must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$393,606.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the minimum reserve for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the minimum reserve was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his/her estate) is paid for his/her unused vacation leave. The total obligations for vacation leave for the District as a whole amounted to \$124,385 at June 30, 2003.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

Accumulated Unpaid Sick Leave

District employees may accumulate sick leave. Upon retirement, payment is made for one-fourth of 180 hours of unused sick leave. Any amount over the 180 hours is paid out at one-tenth. The total obligation for sick leave accrual for the District as a whole, as of June 30, 2003 was \$ 2,216,434.

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003 the School District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$72,425,445 for property and a \$2,500 deductible. Indiana Insurance also covers auto insurance for actual cash value with a \$250 deductible. General liability insurance is under Indiana Insurance Company. The base policy has a \$1,000,000 per occurrence and a \$5,000,000 aggregate limit. The treasurer, superintendent, assistant superintendent and Board President are bonded separately.

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The Cooperative contracts with Acordia, Inc. to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the School District by virtue of its grouping an representation with other participants in the pool. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays its workers compensation premium to the State based on the rate for the pool rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Acordia Inc. provides administrative, cost control and actuarial services to the SOEPC.

The School District has elected to provide employee medical benefits through Anthem Blue Cross and Blue Shield. The employees share the cost of the monthly premium with the board for family plans. The board pays 95 percent of the premium. The School District provides life insurance to employees through the American United Life Insurance Company.

12. LONG-TERM OBLIGATIONS

The District's general obligation bonds were issued April 1, 1998 at 5.11% and mature December 1, 2024. The bonds were issued for construction and renovation of school buildings and are paid from the debt service fund with property tax revenue. Compensated absences will be paid from the fund from which the employee is paid if the funds are available, otherwise, from the General Fund.

Principal and interest requirements to retire general obligation bonds at June 30, 2003 are as follows:

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Principal	Interest
2004	\$230,000	\$432,570
2005	235,000	422,746
2006	245,000	412,485
2007	260,000	401,563
2008	270,000	389,968
2009-2013	1,540,000	1,742,633
2014-2018	2,015,000	1,251,188
2019-2023	2,605,000	663,266
2024-2025	<u>1,235,000</u>	<u>64,191</u>
	<u>\$8,635,000</u>	<u>\$5,780,610</u>

Long-term obligations at June 30, 2003 were as follows:

	<u>Balance</u> <u>6/30/02</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/03</u>	<u>Amount Due</u> <u>in One Year</u>
1998 General Obligation	8,855,000	0	220,000	8,635,000	230,000
2002 Tax Anticipation Note	0	660,000	0	660,000	660,000
Compensated Absences	<u>2,238,243</u>	<u>102,576</u>	<u>0</u>	<u>2,340,819</u>	<u>139,210</u>
Total Long-term Obligations	<u>\$ 11,093,243</u>	<u>\$ 762,576</u>	<u>\$ 220,000</u>	<u>\$ 11,635,819</u>	<u>\$ 1,029,210</u>

The District's voted legal debt margin was \$79,679,205, or 9% of the District's assessed valuation at June 30, 2003, with an un-voted debt margin of \$885,324, or .1% of the same assessed valuation.

13. INTERFUND ASSETS/LIABILITIES

Individual fund inter-fund asset and liability balances at June 30, 2003, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Service	\$2,854
	IDEA Part B	125,000
	Title I	135,000
	Title VI	13,567
	Emergency Repair	325,000
	Drug Free	9,284
	Preschool	18,647
	CSRD	65,000
	Title IID	2,044
	Uniform Supplies	19,766
Total		<u>\$716,162</u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

- B. Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

- C. Miami Valley Career Technology Center** - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

15. INSURANCE PURCHASING POOL

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

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

17. SCHOOL FUNDING COURT 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 School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

18. RESERVATIONS OF FUND BALANCE

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The amount previously reserved for budget stabilization representing bureau of workers' compensation monies required to be set-aside based on legislative changes was reduced to zero through the purchase of textbooks and instructional materials.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. RESERVATIONS OF FUND BALANCE (Continued)

	Textbook	Capital Acquisition	Budget Stabilization	Total
Balance as of June 30, \$	0	\$ 0	\$ 118,636	\$ 118,636
2002				
Qualifying Carryover FY02	(1,538,129)	(2,374,550)	0	(3,912,679)
Current Year Set Aside	729,299	729,299	0	1,458,598
Current Year Offsets	(538,489)	(3,770,604)	0	(4,309,093)
Qualifying Expenditures	(247,504)	(430,738)	0	(678,242)
Balance as of June 30,	(1,594,823)	(5,846,593)	118,636	(7,322,780)
2003				
Cash Balance FY 2003	<u>0</u>	<u>0</u>	<u>118,636</u>	<u>118,636</u>
Qualifying Carry-over	\$ (1,594,823)	\$ (2,933,872)	\$ 0	\$ (4,528,695)

The Textbook and the Capital Acquisition set-aside expenditures and offsets in excess of the set-aside requirements may be carried forward to offset future year's set-aside requirements. At June 30, 2003, the District had qualifying carry-over of \$2,933,872 for the Capital Acquisition Reserve and \$1,594,823 for the Textbook Reserve.

19. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

A. Change in Accounting Principles

For fiscal year 2003, the School District has implemented GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

B. Restatement of Net Assets

During fiscal year 2003, the School District determined that their capital asset net was understated by \$106,087, as of June 30, 2002. The District also determined that their June 30, 2002 net assets were overstated by \$412,486. The correction resulted in the following changes to net assets as previously reported as of June 30, 2002.

Net Assets, June 30, 2002 (as reported)	\$17,732,779
Addition in Capital Assets (See Note 7)	106,087
Correction of Prior Year Fund Type Reclassification	<u>(412,486)</u>
Net Assets, July 1, 2002 (Restated)	<u><u>\$17,426,380</u></u>

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

20. SUBSEQUENT EVENT

On December 18, 2003, the District issued \$330,000 notes in anticipation of the issuance of bonds for the purpose of acquiring land and interests in land for school district purposes and retiring notes previously issued for such purposes.

On November 4, 2003, the District passed 8.5 mill levy, renewal and increase for the purpose of providing emergency requirements.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
Food Distribution	10.550	N/A		\$98,423		\$98,423
School Breakfast Program	10.553	05PU-2002	14,967		14,967	
		05PU-2003	39,806		39,806	
Total School Breakfast Program			54,773		54,773	
National School Lunch Program	10.555	LLP4-2002	98,047		98,047	
		LLP4-2003	253,270		253,270	
Total National School Lunch Program			351,317		351,317	
Total United States Department of Agriculture - Nutrition Cluster			406,090	98,423	406,090	98,423
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA-B)	84.027				65,109	
		6BSF-2002	44,093		35,390	
		6BSF-2003	238,950		342,490	
Total Special Education Grants to States			283,043		442,989	
Special Education Preschool Grants	84.173	PGS1-2003	4,093		22,740	
Total Special Education Cluster			287,136		465,729	
Title I Grants to Local Education Agencies	84.010				36,694	
		C1S1-2002	57,503		82,944	
		C1S1-2003	192,083		277,897	
Total Title I Grants to Local Education Agencies			249,586		397,535	
Safe and Drug Free and Communities - National Program	84.184	TAS1-2003	1,223		1,168	
Safe and Drug Free Schools and Communities – State Grants	84.186	DRS1-2001	7,518		1,809	
		DRS1-2002	14,605		8,353	
		DRS1-2003	5,899		11,665	
Total Safe and Drug Free Schools and Communities – State Grants			28,022		21,827	
Eisenhower Professional Development State Grants	84.281	MSS1-2002	2,084		9,092	
Innovative Education Program Strategies	84.298	C2S1-2002	3,727		8,805	
		C2S1-2003	19,077		27,923	
Total Innovative Education Program Strategies			22,804		36,728	
Title II- D Technology Literacy Challenge Fund Grants	84.318	TJS1-2003	6,926		8,971	
Comprehensive School Reform Subsidy	84.332	RFS2-2001	35,000		7,747	
School Renovation Grant	84.352	ATS2-2002	7,796		9,288	
		AT03-2002	805			
Total School Renovation Grant			8,601		9,288	
Title II-A Improving Teacher Quality State Grants	84.367	CRS1-2002	67,882		19,924	
		TRS1-2003	72,201		107,951	
Total Title II-A Improving Teacher Quality State Grants			140,083		127,875	
Total United States Department of Education			781,465		1,085,960	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Montgomery County Educational Service Center</i>						
CAFS Medicaid	93.778	N/A	15,059		15,059	
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
CAFS Medicaid	93.778		82,131		104,875	
Total United State Department of Health and Human Services - CAFS Medicaid			97,190		119,934	
Total Federal Financial Assistance			\$1,284,745	\$98,423	\$1,611,984	\$98,423

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first. The amounts of commodities reported in the financial statements are at the net amount, rather than the gross amount as reported in the Schedule.

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

Miamisburg City School District
Montgomery County
540 Park Avenue
Miamisburg, Ohio 45342

To the Board of Education:

We have audited the financial statements of Miamisburg City School District, Montgomery County (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 10, 2004. 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 the 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 10, 2004.

Miamisburg City School District
Montgomery 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 management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

February 10, 2004



**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**

Miamisburg City School District
Montgomery County
540 Park Avenue
Miamisburg, Ohio 45342

To the Board of Education:

Compliance

We have audited the compliance of Miamisburg City School District (the District), Montgomery County, 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 programs for the year ended June 30, 2003. The District's major federal programs are 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 each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of 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 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.

**Internal Control Over Compliance
(Continued)**

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



Betty Montgomery
Auditor of State

February 10, 2004

**MIAMISBURG CITY SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: CFDA #'s 84.027 and 84.173 Title I: CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MIAMISBURG CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**