



**Auditor of State  
Betty Montgomery**



**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2004, 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, the major fund, and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio, as of June 30, 2004, and the respective changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds as a business type activity to special revenue funds and governmental activity and activity formerly reported in an internal service fund as general fund activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2005 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 and the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis) are not a required part of the basic financial statements but are 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 federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule 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.



**Betty Montgomery**  
Auditor of State

March 2, 2005

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)**

The discussion and analysis of Miami Trace Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$3.73 million. Net assets of governmental activities increased \$3.73 million which represents a 49.5% increase from 2003.
- General revenues accounted for \$22.00 million in revenue or 85.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.76 million or 14.6% of total revenues of \$25.76 million.
- Total assets of governmental activities increased by \$2.09 million as taxes receivable increased by \$0.29 million while cash and other receivables increased by \$1.88 million.
- The District had \$22.03 million in expenses related to governmental activities; \$3.76 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$22.00 million were adequate to provide for these programs.
- As the major fund, the General Fund had \$22.74 million in revenues and \$17.93 million in expenditures. The General Fund balance increased from \$3.17 to \$7.21 million.

**Using the Basic Financial Statements**

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

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant fund with all other nonmajor funds presented in total in one column. The General Fund is the only major fund of the District.

## Reporting the School District as a Whole

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District consists of one activity:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

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

The District has two kinds of funds:

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



**Fiduciary Funds** The District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2003 compared to 2004:

Table 1  
Net Assets

|                          | <u>Governmental Activities</u> |                     |
|--------------------------|--------------------------------|---------------------|
|                          | <u>2003 Restated</u>           | <u>2004</u>         |
| Assets                   |                                |                     |
| Current and Other Assets | \$13,066,458                   | \$15,241,300        |
| Capital Assets           | <u>4,568,742</u>               | <u>4,483,354</u>    |
| Total Assets             | <u>17,635,200</u>              | <u>19,724,654</u>   |
| Liabilities              |                                |                     |
| Long-Term Liabilities    | 744,235                        | 839,125             |
| Other Liabilities        | <u>9,364,195</u>               | <u>7,629,938</u>    |
| Total Liabilities        | <u>10,108,430</u>              | <u>8,469,063</u>    |
| Net Assets               |                                |                     |
| Invested in Capital      |                                |                     |
| Assets Net of Debt       | 4,568,742                      | 4,483,354           |
| Restricted               | 619,660                        | 453,189             |
| Unrestricted             | <u>2,338,368</u>               | <u>6,319,048</u>    |
| Total Net Assets         | <u>\$7,526,770</u>             | <u>\$11,255,591</u> |

For governmental activities total assets increased \$2.09 million. Equity in pooled cash and cash equivalents increased \$1.83 million. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. Taxes receivable increased \$0.29 million. Total liabilities decreased \$1.64 million, resulting in a net asset increase of \$3.73 million. This decrease represents a decrease in accrued wages.

Table 2 shows the change in net assets for fiscal year 2003 compared to 2004.

Table 2  
Changes in Net Assets

|   | Governmental Activities |                    |
|---|-------------------------|--------------------|
|   | <u>2003 Restated</u>    | <u>2004</u>        |
| Revenues  |                         |                    |
| Program Revenues:   |                         |                    |
| Charges for Services                                      | \$1,342,941             | \$1,720,015        |
| Operating Grants  | 2,262,466               | 1,996,996          |
| Capital Grants  | 85,376                  | 42,096             |
| General Revenue:  |                         |                    |
| Property Taxes  | 8,552,264               | 10,939,200         |
| Grants and Entitlements                                   | 9,532,410               | 10,106,624         |
| Other   | <u>441,157</u>          | <u>958,351</u>     |
| Total Revenues  | <u>22,216,614</u>       | <u>25,763,282</u>  |
| Program Expenses:   |                         |                    |
| Instruction   | 10,222,718              | 11,817,409         |
| Support Services:   |                         |                    |
| Pupil and Instructional Staff                             | 2,362,345               | 2,507,929          |
| General and School Administrative,<br>Fiscal and Business | 2,766,792               | 2,135,577          |
| Operations and Maintenance                                | 1,771,404               | 1,977,648          |
| Pupil Transportation                                      | 1,604,903               | 1,662,654          |
| Central   | 152,112                 | 131,948            |
| Community Services  | 1,034,058               | 1,259,899          |
| Extracurricular Activities                                | <u>511,961</u>          | <u>541,397</u>     |
| Total Expenses  | <u>20,426,293</u>       | <u>22,034,461</u>  |
| Increase (decrease) in Net Assets                         | <u>\$1,790,321</u>      | <u>\$3,728,821</u> |

### Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and capital project purposes, and grants and entitlements comprised 81.7% of the District's revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 42% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 53.6% of governmental program expenses. Instruction expenses increased due to additional grant funding received in 2004. Support services expenses were 38.2% of governmental program expenses. Fiscal and business support services decreased due to decrease in accrued wages. Operation of Non-Instructional Services expenditures increased due to increase in food service expenditures. All other program expenses were 8.2%. Property tax revenue increased due to additional amounts available for advance at June 30, 2004.

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

Table 3  
Governmental Activities

|   | <u>Total Cost of Services</u> |                     | <u>Net Cost of Services</u> |                       |
|---|-------------------------------|---------------------|-----------------------------|-----------------------|
|   | <u>2003 Restated</u>          | <u>2004</u>         | <u>2003 Restated</u>        | <u>2004</u>           |
| Instruction                             | \$10,222,718                  | \$11,817,409        | (\$8,592,745)               | (\$10,314,155)        |
| Support Services:                       |                               |                     |                             |                       |
| Pupil and Instructional Staff           | 2,362,345                     | 2,507,929           | (1,822,525)                 | (1,883,143)           |
| Board, Administration, Fiscal           |                               |                     |                             |                       |
| and Business                            | 2,766,792                     | 2,135,577           | (2,526,351)                 | (1,941,519)           |
| Operations and Maintenance              | 1,771,404                     | 1,977,648           | (1,756,095)                 | (1,962,351)           |
| Pupil Transportation                    | 1,604,903                     | 1,662,654           | (1,519,527)                 | (1,620,558)           |
| Central                                 | 152,112                       | 131,948             | (111,282)                   | (77,753)              |
| Operation of Non-Instructional Services | 1,034,058                     | 1,259,899           | (74,945)                    | (156,926)             |
| Extracurricular Activities              | <u>511,961</u>                | <u>541,397</u>      | <u>(332,040)</u>            | <u>(318,949)</u>      |
| Total Expenses                          | <u>\$20,426,293</u>           | <u>\$22,034,461</u> | <u>(\$16,735,510)</u>       | <u>(\$18,275,354)</u> |

### The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements (see Table of Contents). These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26,579,865 and expenditures and other financing uses of \$22,605,020. The net change in fund balance for the year was \$3,974,845, or 100%. The General Fund balance increased \$4,043,031 due to increase in taxes and tuition from other school districts. The District also monitored expenditures during the year and did not incur some of the big expenditures they had in the prior year. Most notably, the District did not have as many large projects and large repairs during the year.

### General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2004, the District amended its general fund budget several times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$20.55 million, above original budget estimates of \$19.69 million. Of this \$0.86 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$0.11 million above the final budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2004, the District had \$4.48 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2003 balances compared to fiscal 2004:

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

|                            | <u>Governmental Activities</u> |                    |
|----------------------------|--------------------------------|--------------------|
|                            | <u>2003</u>                    | <u>2004</u>        |
| Land                       | \$211,261                      | \$211,261          |
| Land Improvements          | 278,576                        | 271,893            |
| Buildings and Improvements | 1,992,480                      | 1,975,586          |
| Equipment                  | <u>2,086,425</u>               | <u>2,024,614</u>   |
| Total Net Assets           | <u>\$4,568,742</u>             | <u>\$4,483,354</u> |

The decrease in capital assets is due to increases in accumulated depreciation. This District continues its ongoing commitment to maintaining and improving its capital assets.

### Debt

At June 30, 2004, the District had no debt.

### For the Future

The Ohio Supreme Court found the State of Ohio in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997 the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001 the Ohio legislature crafted a school-funding program to address the Court's concerns. In 2003 the funding program was modified as a result of Amended Substitute House Bill 95.

In May of 2002 the District's voters approved a five-year \$2,755,000 emergency operating levy that along with the state-funding program in place at the time, would have kept the district financially stable through fiscal year 2007. District operations are funded nearly equal from the state funding system and local tax dollars. However, due to the changes from HB95, the District's five-year forecast only projects a positive balance through fiscal year 2006. State funding changes can have a material impact on the District's financial stability.

A major financial challenge of the District is the facilities. With the exception of the central office and preschool complex, the age of the buildings are a problem. The high school was built in 1962 and the remaining junior high and 7 elementary buildings are over 75 years old. The funds required to maintain the buildings continues to impact the District's finances. New buildings are a future goal of the District.

The uncertainty of the methods of state funding, available local tax resources, and the District's facility challenges require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie L. Black, Treasurer/CFO at Miami Trace Local School District, 1400 US 22 NW, Washington C. H., Ohio 43160 or e-mail at [miami\\_tres@mveca.org](mailto:miami_tres@mveca.org).

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Miami Trace Local School District  
Statement of Net Assets  
June 30, 2004

|                                       | <u>Governmental<br/>Activities</u> |
|---------------------------------------|------------------------------------|
| Assets:                               |                                    |
| Equity in Pooled Cash and Investments | \$5,430,161                        |
| Restricted Cash and Investments       | 416                                |
| Receivables:                          |                                    |
| Taxes                                 | 9,425,038                          |
| Accounts                              | 34,797                             |
| Interest                              | 564                                |
| Intergovernmental                     | 341,321                            |
| Inventory                             | 9,003                              |
| Nondepreciable Capital Assets         | 211,261                            |
| Depreciable Capital Assets, Net       | <u>4,272,093</u>                   |
| <br>Total Assets                      | <br><u>19,724,654</u>              |
| Liabilities:                          |                                    |
| Accounts Payable                      | 327,620                            |
| Accrued Wages and Benefits            | 2,254,006                          |
| Deferred Revenue                      | 4,768,714                          |
| Claims Payable                        | 279,598                            |
| Long-Term Liabilities:                |                                    |
| Due Within One Year                   | 223,462                            |
| Due In More Than One Year             | <u>615,663</u>                     |
| <br>Total Liabilities                 | <br><u>8,469,063</u>               |
| Net Assets:                           |                                    |
| Invested in Capital Assets            | 4,483,354                          |
| Restricted for:                       |                                    |
| Special Revenue                       | 218,461                            |
| Capital Projects                      | 234,728                            |
| Unrestricted                          | <u>6,319,048</u>                   |
| <br>Total Net Assets                  | <br><u>\$11,255,591</u>            |

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

|   | Expenses            | Program Revenues               |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                       |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|---|-----------------------|
|   |                     | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                         | Total                 |
| <b>Governmental Activities:</b>         |                     |                                |                                    |                                  |   |                       |
| <b>Instruction:</b>                     |                     |                                |                                    |                                  |   |                       |
| Regular                                 | \$9,064,335         | \$551,259                      | \$232,581                          | \$0                              | (\$8,280,495)                                   | (\$8,280,495)         |
| Special                                 | 1,793,211           | 65,954                         | 542,580                            | 0                                | (1,184,677)                                     | (1,184,677)           |
| Vocational                              | 530,439             | 0                              | 0                                  | 0                                | (530,439)                                       | (530,439)             |
| Other                                   | 429,424             | 0                              | 110,880                            | 0                                | (318,544)                                       | (318,544)             |
| <b>Support Services:</b>                |                     |                                |                                    |                                  |   |                       |
| Pupil                                   | 1,173,778           | 114,079                        | 175,013                            | 0                                | (884,686)                                       | (884,686)             |
| Instructional Staff                     | 1,334,151           | 16,218                         | 319,476                            | 0                                | (998,457)                                       | (998,457)             |
| General Administration                  | 20,041              | 0                              | 0                                  | 0                                | (20,041)  | (20,041)              |
| School Administration                   | 1,573,362           | 0                              | 191,339                            | 0                                | (1,382,023)                                     | (1,382,023)           |
| Fiscal                                  | 464,147             | 58                             | 2,661                              | 0                                | (461,428)                                       | (461,428)             |
| Business                                | 78,027              | 0                              | 0                                  | 0                                | (78,027)  | (78,027)              |
| Operations and Maintenance              | 1,977,648           | 1,972                          | 13,325                             | 0                                | (1,962,351)                                     | (1,962,351)           |
| Pupil Transportation                    | 1,662,654           | 0                              | 0                                  | 42,096                           | (1,620,558)                                     | (1,620,558)           |
| Central                                 | 131,948             | 0                              | 54,195                             | 0                                | (77,753)  | (77,753)              |
| Operation of Non-Instructional Services | 1,259,899           | 748,027                        | 354,946                            | 0                                | (156,926)                                       | (156,926)             |
| Extracurricular Activities              | 541,397             | 222,448                        | 0                                  | 0                                | (318,949)                                       | (318,949)             |
| <b>Total Governmental Activities</b>    | <b>22,034,461</b>   | <b>1,720,015</b>               | <b>1,996,996</b>                   | <b>42,096</b>                    | <b>(18,275,354)</b>                             | <b>(18,275,354)</b>   |
| <b>Totals</b>                           | <b>\$22,034,461</b> | <b>\$1,720,015</b>             | <b>\$1,996,996</b>                 | <b>\$42,096</b>                  | <b>(\$18,275,354)</b>                           | <b>(\$18,275,354)</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| <b>General Revenues:</b>                                    |                     |                     |
| <b>Property Taxes Levied for:</b>                           |                     |                     |
| General Purposes  | 10,939,200          | 10,939,200          |
| Grants and Entitlements not Restricted to Specific Programs | 10,106,624          | 10,106,624          |
| Payment in Lieu of Taxes                                    | 395,244             | 395,244             |
| Investment Earnings   | 78,423              | 78,423              |
| Refunds and Reimbursements                                  | 29,130              | 29,130              |
| Other Revenues  | 455,554             | 455,554             |
| <b>Total General Revenues</b>                               | <b>22,004,175</b>   | <b>22,004,175</b>   |
| <b>Change in Net Assets</b>                                 | <b>3,728,821</b>    | <b>3,728,821</b>    |
| <b>Net Assets Beginning of Year, As Restated</b>            | <b>7,526,770</b>    | <b>7,526,770</b>    |
| <b>Net Assets End of Year</b>                               | <b>\$11,255,591</b> | <b>\$11,255,591</b> |

See accompanying notes to the Basic Financial Statements.



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Miami Trace Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2004

|   | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>                                |                     |                                |                                |
| Equity in Pooled Cash and Investments         | \$4,814,462         | \$615,699                      | \$5,430,161                    |
| Restricted Cash and Investments               | 416                 | 0                              | 416                            |
| <b>Receivables:</b>                           |                     |                                |                                |
| Taxes   | 9,425,038           | 0                              | 9,425,038                      |
| Accounts                                      | 34,049              | 748                            | 34,797                         |
| Interest                                      | 564                 | 0                              | 564                            |
| Intergovernmental                             | 19,750              | 321,571                        | 341,321                        |
| Interfund                                     | 121,120             | 0                              | 121,120                        |
| Inventory                                     | 0                   | 9,003                          | 9,003                          |
| <b>Total Assets</b>                           | <b>14,415,399</b>   | <b>947,021</b>                 | <b>15,362,420</b>              |
| <b>Liabilities and Fund Balances:</b>         |                     |                                |                                |
| <b>Liabilities:</b>                           |                     |                                |                                |
| Accounts Payable                              | 207,302             | 120,318                        | 327,620                        |
| Accrued Wages and Benefits                    | 1,914,679           | 201,807                        | 2,116,486                      |
| Compensated Absences                          | 30,422              | 0                              | 30,422                         |
| Interfund Payable                             | 0                   | 121,120                        | 121,120                        |
| Deferred Revenue                              | 4,768,714           | 73,776                         | 4,842,490                      |
| Claims Payable                                | 279,598             | 0                              | 279,598                        |
| <b>Total Liabilities</b>                      | <b>7,200,715</b>    | <b>517,021</b>                 | <b>7,717,736</b>               |
| <b>Fund Balances:</b>                         |                     |                                |                                |
| Reserved for Encumbrances                     | 450,180             | 314,231                        | 764,411                        |
| Reserved for Inventory                        | 0                   | 9,003                          | 9,003                          |
| Reserved for Property Tax Advances            | 4,656,324           | 0                              | 4,656,324                      |
| <b>Unreserved, Undesignated, Reported in:</b> |                     |                                |                                |
| General Fund                                  | 2,108,180           | 0                              | 2,108,180                      |
| Special Revenue Funds                         | 0                   | 73,754                         | 73,754                         |
| Capital Projects Funds                        | 0                   | 33,012                         | 33,012                         |
| <b>Total Fund Balances</b>                    | <b>7,214,684</b>    | <b>430,000</b>                 | <b>7,644,684</b>               |
| <b>Total Liabilities and Fund Balances</b>    | <b>\$14,415,399</b> | <b>\$947,021</b>               | <b>\$15,362,420</b>            |

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2004

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Total Governmental Fund Balance \$7,644,684

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. 4,483,354

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

|                   |        |        |
|-------------------|--------|--------|
| Intergovernmental | 73,776 |        |
|                   |        | 73,776 |

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

|                      |           |           |
|----------------------|-----------|-----------|
| Pension Obligation   | (137,520) |           |
| Compensated Absences | (808,703) |           |
|                      |           | (946,223) |

Net Assets of Governmental Activities \$11,255,591

See accompanying notes.

Miami Trace Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

|   | General            | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                    |                    |                                |                                |
| Taxes   | \$10,939,201       | \$0                            | \$10,939,201                   |
| Tuition and Fees                                    | 534,753            | 0                              | 534,753                        |
| Investment Earnings                                 | 40,633             | 37,799                         | 78,432                         |
| Intergovernmental                                   | 10,389,501         | 1,873,907                      | 12,263,408                     |
| Extracurricular Activities                          | 16,156             | 370,534                        | 386,690                        |
| Charges for Services                                | 0                  | 698,469                        | 698,469                        |
| Other Revenues                                      | 817,087            | 68,372                         | 885,459                        |
| <b>Total Revenues</b>                               | <b>22,737,331</b>  | <b>3,049,081</b>               | <b>25,786,412</b>              |
| <b>Expenditures:</b>                                |                    |                                |                                |
| <b>Current:</b>                                     |                    |                                |                                |
| <b>Instruction:</b>                                 |                    |                                |                                |
| Regular   | 8,586,352          | 389,074                        | 8,975,426                      |
| Special   | 1,199,756          | 571,563                        | 1,771,319                      |
| Vocational  | 515,637            | 0                              | 515,637                        |
| Other   | 423,181            | 6,243                          | 429,424                        |
| <b>Support Services:</b>                            |                    |                                |                                |
| Pupil   | 868,354            | 277,859                        | 1,146,213                      |
| Instructional Staff                                 | 920,151            | 370,867                        | 1,291,018                      |
| General Administration                              | 20,041             | 0                              | 20,041                         |
| School Administration                               | 1,368,996          | 170,482                        | 1,539,478                      |
| Fiscal  | 444,933            | 2,500                          | 447,433                        |
| Business  | 76,871             | 0                              | 76,871                         |
| Operations and Maintenance                          | 1,608,727          | 453,479                        | 2,062,206                      |
| Pupil Transportation                                | 1,457,034          | 178,313                        | 1,635,347                      |
| Central   | 85,934             | 46,014                         | 131,948                        |
| Operation of Non-Instructional Services             | 31,979             | 1,148,330                      | 1,180,309                      |
| Extracurricular Activities                          | 280,086            | 226,671                        | 506,757                        |
| Capital Outlay                                      | 39,599             | 55,933                         | 95,532                         |
| <b>Total Expenditures</b>                           | <b>17,927,631</b>  | <b>3,897,328</b>               | <b>21,824,959</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>4,809,700</b>   | <b>(848,247)</b>               | <b>3,961,453</b>               |
| <b>Other Financing Sources (Uses):</b>              |                    |                                |                                |
| Proceeds from Sale of Capital Assets                | 13,392             | 0                              | 13,392                         |
| Transfers In  | 0                  | 780,061                        | 780,061                        |
| Transfers (Out)                                     | (780,061)          | 0                              | (780,061)                      |
| <b>Total Other Financing Sources (Uses)</b>         | <b>(766,669)</b>   | <b>780,061</b>                 | <b>13,392</b>                  |
| <b>Net Change in Fund Balance</b>                   | <b>4,043,031</b>   | <b>(68,186)</b>                | <b>3,974,845</b>               |
| <b>Fund Balance Beginning of Year</b>               | <b>3,171,653</b>   | <b>498,186</b>                 | <b>3,669,839</b>               |
| <b>Fund Balance End of Year</b>                     | <b>\$7,214,684</b> | <b>\$430,000</b>               | <b>\$7,644,684</b>             |

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

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Net Change in Fund Balance - Total Governmental Funds \$3,974,845

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

|  |                  |          |
|--|------------------|----------|
| Capital assets used in governmental activities | 542,252          |          |
| Depreciation Expense                           | <u>(627,640)</u> | (85,388) |

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

|                   |                 |          |
|-------------------|-----------------|----------|
| Intergovernmental | <u>(36,522)</u> | (36,522) |
|-------------------|-----------------|----------|

Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

|                      |                  |                  |
|----------------------|------------------|------------------|
| Pension Obligation   | (24,009)         |                  |
| Compensated Absences | <u>(100,105)</u> | <u>(124,114)</u> |

Change in Net Assets of Governmental Activities \$3,728,821

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

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|                                       | Private Purpose<br>Trust | Agency   |
|---------------------------------------|--------------------------|----------|
| Assets:                               |                          |          |
| Equity in Pooled Cash and Investments | \$435,179                | \$90,361 |
| Total Assets                          | 435,179                  | \$90,361 |
| Liabilities:                          |                          |          |
| Accounts Payable                      | 0                        | 4,396    |
| Other Liabilities                     | 0                        | 85,965   |
| Total Liabilities                     | 0                        | \$90,361 |
| Net Assets:                           |                          |          |
| Held in Trust                         | 435,179                  |          |
| Total Net Assets                      | \$435,179                |          |

See accompanying notes to the Basic Financial Statements.

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004**

**1. DESCRIPTION OF THE DISTRICT**

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

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The school district's geographical size ranks among the top five in Ohio. At the present time, approximately 2,752 students attend eight elementary schools, one junior high school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the district's instructional and support facilities staffed by 132 non-certificated personnel and 204 certificated teaching and administrative personnel to provide services to students and other community members.

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

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

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

MVECA  
Hopewell  
South Central Ohio Insurance Consortium

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

#### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.



## **FUND ACCOUNTING**

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

### **Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust which accounts for scholarship programs for students, and an agency fund which accounts for those student activities which consist of a student body, student president, student treasurer and a faculty advisor.

### 3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

#### Expenses/Expenditures

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

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

### **CASH AND CASH EQUIVALENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$78,432.

### **INVENTORY**

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

## CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Buildings and Improvements | 20-40 years  |
| Equipment                  | 3-5 years  |

## INTERFUND TRANSACTIONS

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

## COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

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

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

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

| <u>Vacation</u>         | <u>Certified</u>                                      | <u>Administrators</u>   | <u>Non-Certificated</u>   |
|-------------------------|---|---|---|
| How Earned              | Not Eligible  | 10-20 days for each service year depending on length of service | 10-20 days for each service year depending on length of service |
| Maximum Accumulation    | Not Eligible  | 40 days   | 40 days   |
| Vested                  | Not Eligible  | Not Applicable  | Not Applicable  |
| Termination Entitlement | Not Applicable  | Paid upon Termination   | Paid upon Termination   |
| <u>Sick Leave</u>       |   |   |   |
| How Earned              | 1 1/4 days per month of employment (15 days per year) | 1 1/4 days per month of employment (15 days per year)           | 1 1/4 days per month of employment (15 days per year)           |
| Maximum Accumulation    | 214 days  | Per Contract Days   | 210 days  |
| Termination Entitlement | Per Contract  | Per Contract  | Per Contract  |

## NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

## INTERFUND ACTIVITY

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

## FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepayments, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## 4. CASH AND CASH EQUIVALENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.

- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At the year end, the carrying amount of the District's deposits was \$5,294,841. The bank balance of deposits was \$5,413,039 of which \$300,000 was covered by federal depository insurance. The remaining balance of \$5,113,039 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

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

| <u>Description</u>   | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | <u>Carrying Amount/<br/>Fair Value</u> |
|----------------------|-------------------|-------------------|-------------------|--|
| State Treasury Pool* | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        | <u>\$661,276</u>                       |
| Total Investments    | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        | <u>\$661,276</u>                       |

\*The District's Investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## 5. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.



Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$4,656,324 for General Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations. The amount available for advance at June 30, 2003 was \$2,853,857 for General Fund, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2003 operations.

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 2004 taxes were collected are:

|   | <u>Amount</u>        |
|---|----------------------|
| Agricultural/Residential<br>and Other Real Estate | \$243,831,390        |
| Public Utility Personal                           | 25,117,160           |
| Tangible Personal Property                        | <u>34,991,482</u>    |
| Total   | <u>\$303,942,472</u> |

## 6. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees), 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.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

|  | Restated<br>Beginning<br>Balance | Additions         | Deductions       | Ending<br>Balance   |
|--|----------------------------------|-------------------|------------------|---------------------|
| <b>Government Activities</b>                   |                                  |                   |                  |                     |
| Land   | \$211,261                        | \$0               | \$0              | \$211,261           |
| Land Improvements                              | 742,388                          | 35,715            | 0                | 778,103             |
| Buildings and Improvements                     | 5,846,005                        | 190,301           | 0                | 6,036,306           |
| Equipment                                      | <u>4,982,782</u>                 | <u>316,236</u>    | <u>3,300</u>     | <u>5,295,718</u>    |
| Totals at Historical Cost                      | <u>\$11,782,436</u>              | <u>\$542,252</u>  | <u>\$3,300</u>   | <u>\$12,321,388</u> |
| Less Accumulated Depreciation:                 |                                  |                   |                  |                     |
| Land Improvements                              | \$463,812                        | \$42,398          | \$0              | \$506,210           |
| Buildings and Improvements                     | 3,853,525                        | 207,195           | 0                | 4,060,720           |
| Equipment                                      | <u>2,896,357</u>                 | <u>378,047</u>    | <u>(3,300)</u>   | <u>3,271,104</u>    |
| Total Accumulated Depreciation                 | <u>\$7,213,694</u>               | <u>\$627,640</u>  | <u>(\$3,300)</u> | <u>\$7,838,034</u>  |
| Governmental Activities Capital<br>Assets, Net | <u>\$4,568,742</u>               | <u>(\$85,388)</u> | <u>\$ 0</u>      | <u>\$4,483,354</u>  |

\*Depreciation expense was charged to governmental functions as follows:

|   |                  |
|---|------------------|
| Instruction:                            |                  |
| Regular                                 | \$147,671        |
| Special                                 | 21,905           |
| Vocational                              | 12,857           |
| Support Services:                       |                  |
| Pupil                                   | 21,728           |
| Instructional Staff                     | 48,888           |
| School Administration                   | 33,120           |
| Fiscal                                  | 2,168            |
| Business                                | 231              |
| Operations and Maintenance              | 103,520          |
| Pupil Transportation                    | 171,805          |
| Operation of Non-instructional Services | 28,817           |
| Extracurricular Activities              | <u>34,930</u>    |
| Total Depreciation Expense              | <u>\$627,640</u> |

**8. LONG-TERM LIABILITIES**

|                                 | <u>Beginning<br/>Principal<br/>Outstanding</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending<br/>Principal<br/>Outstanding</u> | <u>Due In<br/>One Year</u> |
|---------------------------------|--|------------------|-------------------|---|----------------------------|
| <u>Governmental Activities:</u> |  |                  |                   |   |                            |
| Compensated Absences            | <u>\$744,235</u>                               | <u>\$331,246</u> | <u>\$236,356</u>  | <u>\$839,125</u>                            | <u>\$223,462</u>           |

Compensated absences will be paid from the fund from which the person is paid.

**9. PENSION PLANS**

**SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The 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 10% 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% 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 2004, 9.09% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2003, 8.17% 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, 2004, 2003, and 2002 were \$419,808, \$394,560, and \$368,856, respectively; 50.9% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

**STATE TEACHERS RETIREMENT SYSTEM**

The School District participates in 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 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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 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 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, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5%. 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 members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,298,364, \$1,235,988, and \$1,169,784, respectively; 83.2% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

## **10. POST EMPLOYMENT BENEFITS**

The 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 included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$92,408 for the fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was 3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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 credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$142,033.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was 335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of 300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

## **11. CONTINGENT LIABILITIES**

### **GRANTS**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

## **12. JOINTLY GOVERNED ORGANIZATIONS**

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium a-site used by the district. MVECA is an association of 23 public school districts in a geographic area determined by the Ohio Department of Education. MVECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid MVECA \$78,292 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District Board of Education acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.

## **13. RISK MANAGEMENT**

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

General liability insurance is maintained in the amount of \$4,000,000 for each occurrence and \$6,000,000 in the general aggregate. Other liability insurance includes \$4,000,000 for fleet liability, and \$50,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$46,070,859.

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

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

On January 1, 1998, the District established an internal service fund to provide group health and prescription drug benefits to employees and their eligible dependents through the South Central Insurance Consortium, a formalized risk management program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience. The monies paid into the Employees Benefits Self Insurance Fund (internal service fund) are available to pay claims. A third party administrator, E.V. Benefits Management, Inc., which monitors all claims payments, administers the plan. An excess coverage insurance policy premium covers individual claims in excess of \$150,000. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$279,598 reported in the fund at June 30, 2004 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

| <u>Fiscal Year</u> | <u>Beginning of Year Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claims Payments</u> | <u>End of Year Liability</u> |
|--------------------|------------------------------------|---|------------------------|------------------------------|
| 2003               | \$365,397                          | \$2,016,203   | (\$2,089,689)          | \$291,911                    |
| 2004               | 291,911                            | 2,303,508   | (2,315,821)            | 279,598                      |

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

#### 14. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

#### 15. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in net assets at year end:

| <u>Fund</u>            | <u>Deficit</u> |
|------------------------|----------------|
| Special Revenue Funds: |                |
| Title I                | \$21,402       |
| Title V                | 622            |
| Special Enterprise     | 14,454         |

#### 16. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State law to set aside certain general fund revenue amounts, as defined into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

|   | <u>Textbook Reserve</u> | <u>Capital Maintenance Reserve</u> | <u>Budget Stabilization Reserve</u> |
|---|-------------------------|------------------------------------|-------------------------------------|
| Balance, June 30, 2003                                    | \$0                     | \$0                                | \$208                               |
| Amount From Prior Years Which Exceeded Required Set-Aside | (1,817,376)             | N/A                                | N/A                                 |
| Required Set-aside  | 388,674                 | 388,674                            | N/A                                 |
| Offset Credits  | 0                       | 0                                  | N/A                                 |
| Qualifying Expenditures                                   | (835,977)               | (588,361)                          | N/A                                 |
| Reduction in Accordance with Senate Bill 345              | <u>N/A</u>              | <u>N/A</u>                         | <u>(208)</u>                        |
| Balance, June 30, 2004                                    | (2,264,679)             | (199,687)                          | 0                                   |
| Balance Carried Forward to FY 2005 Reserve, June 30, 2004 | <u>(\$2,264,679)</u>    | <u>\$0</u>                         | <u>\$0</u>                          |

Expenditures for textbook and instructional material activities during the year totaled \$835,977, which exceeded the amount required for the set-aside by \$447,303. This amount, along with the excess amount of \$1,817,376 from fiscal year 2003, may be used to reduce the set-aside requirement in succeeding fiscal years for textbook and instructional material activities.



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

Expenditures for capital activity during the year totaled \$588,361, which exceeded the amount required for set-aside. Although the District may have had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, these extra amounts are not to reduce the set-aside requirement for capital acquisitions in succeeding fiscal years.

**17. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables and payables:

|                              | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|------------------------------|---------------------------------|------------------------------|-------------------------|--------------------------|
| General Fund                 | \$121,120                       | \$0                          | \$0                     | \$780,061                |
| Special Revenue Funds:       |                                 |                              |                         |                          |
| Title V                      | 0                               | 5,700                        | 0                       | 0                        |
| Student Activity             | 0                               | 10,140                       | 0                       | 0                        |
| Special Education            | 0                               | 67,485                       | 0                       | 0                        |
| Title I                      | 0                               | 35,050                       | 0                       | 0                        |
| Drug Free Schools            | 0                               | 2,520                        | 0                       | 0                        |
| Miscellaneous Federal Grants | 0                               | 225                          | 0                       | 0                        |
| Food Service                 | 0                               | 0                            | 20,000                  | 0                        |
| Special Enterprises          | 0                               | 0                            | 10,000                  | 0                        |
| Capital Projects Fund:       |                                 |                              |                         |                          |
| Permanent Improvement        | <u>0</u>                        | <u>0</u>                     | <u>750,061</u>          | <u>0</u>                 |
|                              | <u>\$121,120</u>                | <u>\$121,120</u>             | <u>\$780,061</u>        | <u>\$780,061</u>         |

## 18. PRIOR PERIOD ADJUSTMENT

The District reclassified the enterprise funds as special revenue funds because the funds did not operate like a business. The funds required operating grants and transfers from other funds to avoid operating losses. The District also reclassified Internal Service Fund self-insurance activity to the General Fund.

The beginning net asset/fund balances of district-wide and fund financial statements have been adjusted for the reclassification of enterprise funds and internal service funds as follows:

|   | District-Wide Financial Statements |                          | Fund Financial Statements |                    |                 |                  |
|---|------------------------------------|--------------------------|---------------------------|--------------------|-----------------|------------------|
|   | Governmental Activities            | Business Type Activities | General                   | Other Governmental | Enterprise      | Internal Service |
| June 30, 2003 Fund Balance / Net Assets, as previously stated | \$7,453,118                        | \$73,652                 | \$3,107,346               | \$523,201          | \$73,652        | \$64,307         |
| Enterprise Fund Reclassification                              | <u>73,652</u>                      | <u>(73,652)</u>          |                           | <u>(25,015)</u>    | <u>(73,652)</u> |                  |
| Internal Service Fund Reclassification                        |                                    |                          | <u>64,307</u>             |                    |                 | <u>(64,307)</u>  |
| June 30, 2003 Fund balance/ Net Assets, as restated           | <u>\$7,526,770</u>                 | <u>\$0</u>               | <u>\$3,171,653</u>        | <u>\$498,186</u>   | <u>\$0</u>      | <u>\$0</u>       |

District management decided to account for self-insurance activity in the General Fund rather than an internal service fund. This resulted in a reclassification of balances from the Internal Service Fund to the General Fund. The District reclassified the enterprise funds to special revenue funds because the enterprise funds do not operate like a business. The enterprise funds relied on grants and transfers from the general fund to break even.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Miami Trace Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2004

|  | General<br>Fund    |                    |                    |                               |
|--|--------------------|--------------------|--------------------|-------------------------------|
|  | Original<br>Budget | Final<br>Budget    | Actual             | Variance from<br>Final Budget |
| Revenues:  |                    |                    |                    |                               |
| Taxes  | \$8,743,527        | \$9,216,397        | \$9,136,734        | (\$79,663)                    |
| Tuition and Fees   | 494,290            | 559,078            | 516,519            | (42,559)                      |
| Investment Earnings  | 33,992             | 38,129             | 35,521             | (2,608)                       |
| Intergovernmental  | 9,930,335          | 10,408,065         | 10,376,915         | (31,150)                      |
| Extracurricular Activities   | 0                  | 313                | 0                  | (313)                         |
| Other Revenues   | 466,123            | 509,808            | 487,085            | (22,723)                      |
| <b>Total Revenues</b>  | <b>19,668,267</b>  | <b>20,731,790</b>  | <b>20,552,774</b>  | <b>(179,016)</b>              |
| Expenditures:  |                    |                    |                    |                               |
| Current:   |                    |                    |                    |                               |
| Instruction:   |                    |                    |                    |                               |
| Regular  | 8,165,883          | 8,205,936          | 8,211,486          | (5,550)                       |
| Special  | 1,154,902          | 1,205,324          | 1,161,352          | 43,972                        |
| Vocational   | 511,421            | 506,935            | 514,277            | (7,342)                       |
| Other  | 431,826            | 345,975            | 434,238            | (88,263)                      |
| Support Services:  |                    |                    |                    |                               |
| Pupil  | 836,731            | 811,386            | 841,404            | (30,018)                      |
| Instructional Staff  | 1,079,904          | 1,103,959          | 1,085,935          | 18,024                        |
| General Administration   | 19,930             | 20,480             | 20,041             | 439                           |
| School Administration  | 2,085,946          | 2,040,253          | 2,097,595          | (57,342)                      |
| Fiscal   | 535,498            | 551,708            | 538,489            | 13,219                        |
| Business   | 78,021             | 85,981             | 78,457             | 7,524                         |
| Operations and Maintenance   | 1,747,397          | 1,922,051          | 1,757,156          | 164,895                       |
| Pupil Transportation   | 1,570,420          | 1,683,909          | 1,579,190          | 104,719                       |
| Central  | 84,027             | 149,075            | 84,496             | 64,579                        |
| Extracurricular Activities   | 280,017            | 292,955            | 281,581            | 11,374                        |
| Capital Outlay   | 47,117             | 37,640             | 47,380             | (9,740)                       |
| <b>Total Expenditures</b>  | <b>18,629,040</b>  | <b>18,963,567</b>  | <b>18,733,077</b>  | <b>230,490</b>                |
| <b>Excess of Revenues Over (Under) Expenditures</b>                            | <b>1,039,227</b>   | <b>1,768,223</b>   | <b>1,819,697</b>   | <b>51,474</b>                 |
| Other financing sources (uses):  |                    |                    |                    |                               |
| Proceeds from Sale of Capital Assets   | 12,816             | 12,580             | 13,392             | 812                           |
| Advances In  | 15,414             | 15,500             | 15,500             | 0                             |
| Advances (Out)   | (121,171)          | (130,960)          | (126,620)          | 4,340                         |
| Transfers (Out)  | (775,729)          | (830,000)          | (780,061)          | 49,939                        |
| <b>Total Other Financing Sources (Uses)</b>                                    | <b>(868,670)</b>   | <b>(932,880)</b>   | <b>(877,789)</b>   | <b>55,091</b>                 |
| <b>Net Change in Fund Balance</b>  | <b>170,557</b>     | <b>835,343</b>     | <b>941,908</b>     | <b>106,565</b>                |
| Fund Balance Beginning of Year (includes prior year encumbrances appropriated) | 2,541,960          | 2,541,960          | 2,541,960          | 0                             |
| <b>Fund Balance End of Year</b>  | <b>\$2,712,517</b> | <b>\$3,377,303</b> | <b>\$3,483,868</b> | <b>\$106,565</b>              |

See accompanying notes to the required supplementary information.

**MIAMI TRACE LOCAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2004**

**1. BUDGETARY PROCESS**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2004.

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

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

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

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

Net Change in Fund Balance

|   | <u>General</u>   |
|---|------------------|
| GAAP Basis                              | \$4,043,031      |
| Net Adjustment for Revenue Accruals     | (2,169,057)      |
| Net Adjustment for Expenditure Accruals | (291,949)        |
| Encumbrances                            | <u>(640,117)</u> |
| Budget Basis                            | <u>\$941,908</u> |

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title                                       | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts           | Non-Cash<br>Receipts | Disbursements      | Non-Cash<br>Disbursements |
|---|----------------------------------|---------------------------|--------------------|----------------------|--------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>  |                                  |                           |                    |                      |                    |                           |
| <i>Passed Through Ohio Department of Education:</i>   |                                  |                           |                    |                      |                    |                           |
| Nutrition Cluster:  |                                  |                           |                    |                      |                    |                           |
| Food Distribution Program   | N/A                              | 10.550                    | \$0                | \$48,067             | \$0                | \$40,600                  |
| National School Breakfast Program   | 05-PU-04                         | 10.553                    | 58,447             | 0                    | 58,447             | 0                         |
|   | 05-PU-03                         |                           |                    |                      |                    |                           |
| National School Lunch Program   | LL-P4-04                         | 10.555                    | 184,036            | 0                    | 184,036            | 0                         |
| National School Lunch Program   | LL-P4-03                         |                           |                    |                      |                    |                           |
| Total U.S. Department of Agriculture - Nutrition Cluster  |                                  |                           | <b>242,483</b>     | <b>48,067</b>        | <b>242,483</b>     | <b>40,600</b>             |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>  |                                  |                           |                    |                      |                    |                           |
| <i>Passed Through Ohio Department of Education:</i>   |                                  |                           |                    |                      |                    |                           |
| Special Education Cluster:  |                                  |                           |                    |                      |                    |                           |
| Special Education Grants to States<br>(Title VI B)  | 6B-SD-04<br>6B-SF-03<br>6B-SF-04 | 84.027                    | 346,384            | 0                    | 392,718            | 0                         |
|   |                                  |                           | 346,384            | 0                    | 392,718            | 0                         |
| IDEA Preschool Grant for Handicapped  | PG-S1-04                         | 84.173                    | 13,822             | 0                    | 13,822             | 0                         |
|   |                                  |                           | 13,822             | 0                    | 13,822             | 0                         |
| Total Special Education Cluster   |                                  |                           | <b>360,206</b>     | <b>0</b>             | <b>406,540</b>     | <b>0</b>                  |
| Family Support Act - JOBS   | JB-S1-95<br>JB-S1-94             | 93.021                    | 0                  | 0                    | 3,443              | 0                         |
| Grants to Local Educational Agencies<br>(ESEA Title I)  | C1-S1-04<br>C1-S1-03             | 84.010                    | 436,253            | 0                    | 488,293            | 0                         |
| Innovative Educational Program<br>Strategies  | C2-S1-03<br>C2-S1-04             | 84.298                    | 17,909             | 0                    | 14,296             | 0                         |
| Drug-Free Schools Grant   | DR-S1-04<br>DR-S1-03             | 84.186                    | 18,730             | 0                    | 22,497             | 0                         |
| State Program Improvement Grants for Children with<br>Disabilities                              | ST-S1-02                         | 84.323                    | 52,500             | 0                    | 63,347             | 0                         |
| School Renovation Grants  | AT-S3-02                         | 84.352A                   | 0                  | 0                    | 4,229              | 0                         |
| Title IID, Technology Fund  | TJ-S1-03<br>TJ-S1-04             | 84.318                    | 9,705              | 0                    | 10,534             | 0                         |
| Improving Teacher Quality State Grants  | TR-S1-04                         | 84.367                    | 109,905            | 0                    | 117,982            | 0                         |
| Total Department of Education   |                                  |                           | <b>1,005,208</b>   | <b>0</b>             | <b>1,131,161</b>   | <b>0</b>                  |
| <b><u>U.S. DEPARTMENT OF MENTAL RETARDATION<br/>and DEVELOPMENTAL DISABILITIES</u></b>          |                                  |                           |                    |                      |                    |                           |
| <i>Passed Through Ohio Department of Mental<br/>Retardation and Developmental Disabilities:</i> |                                  |                           |                    |                      |                    |                           |
| Community Alternative Fud System (CAFS)   | N/A                              | 93.778                    | 31,770             | 0                    | 31,770             | 0                         |
| Total Department of Mental Retardation and Developmental Disabilities                           |                                  |                           | <b>31,770</b>      | <b>0</b>             | <b>31,770</b>      | <b>0</b>                  |
| <b><u>U.S. OFFICE OF LIBRARY SERVICES</u></b>   |                                  |                           |                    |                      |                    |                           |
| <i>Passed Through State Library of Ohio:</i>  |                                  |                           |                    |                      |                    |                           |
| LSTA Library Automation Grant   | N/A                              | 45.31                     | 30,221             | 0                    | 26,614             | 0                         |
| Total Office of Library Services  |                                  |                           | <b>30,221</b>      | <b>0</b>             | <b>26,614</b>      | <b>0</b>                  |
| <b><u>U.S. DEPARTMENT OF FEDERAL MANAGEMENT AGENCY</u></b>                                      |                                  |                           |                    |                      |                    |                           |
| <i>Passed Through Ohio Adjutant General's Emergency<br/>Management Agency:</i>                  |                                  |                           |                    |                      |                    |                           |
| Pre-Disaster Mitigation   | N/A                              | 83.577                    | 880                | 0                    | 0                  | 0                         |
| Total Department of Federal Management Agency   |                                  |                           | <b>880</b>         | <b>0</b>             | <b>0</b>           | <b>0</b>                  |
| <b>Totals</b>   |                                  |                           | <b>\$1,310,562</b> | <b>\$48,067</b>      | <b>\$1,432,028</b> | <b>\$40,600</b>           |

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

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards 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—CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

**NOTE C – SCHOOL RENOVATION GRANTS**

Program disbursements include \$498 of returned grant money.





## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Miami Trace Local School District, Fayette County, Ohio, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 2, 2005. 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 Miami Trace Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 2, 2005.

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

This report is intended for the information and use of the audit committee, Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 2, 2005



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Miami Trace Local School District, Fayette County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of the 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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

March 2, 2005

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505  
JUNE 30, 2004**

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

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

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

None.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**MIAMI TRACE LOCAL SCHOOL DISTRICT  
FAYETTE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 24, 2005**