



MIAMI TRACE LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2012

With Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Miami Trace Local School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Miami Trace Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 25, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Miami Trace Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 11 and 46 through 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 19, 2012

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets of governmental activities increased \$1,115,053 which represents a 3% increase from 2011.
- General revenues accounted for \$25,016,960 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,524,458 or 18% of total revenues of \$30,541,418.
- The District had \$29,426,365 in expenses related to governmental activities; \$5,524,458 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$25,016,960 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Government-wide Financial Statements 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.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

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

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

Fund Financial Statements

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

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

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

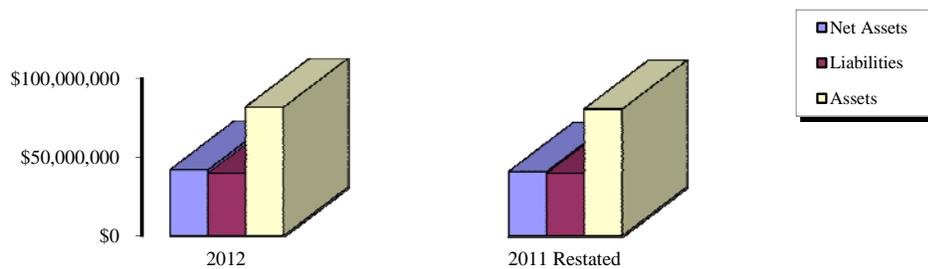
**Miami Trace Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District’s net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011 Restated
Assets:		
Current and Other Assets	\$32,328,056	\$29,541,585
Capital Assets	48,994,021	50,585,247
Total Assets	81,322,077	80,126,832
Liabilities:		
Other Liabilities	11,472,349	10,777,608
Long-Term Liabilities	28,135,006	28,749,555
Total Liabilities	39,607,355	39,527,163
Net Assets:		
Invested in Capital Assets, Net of Related Debt	21,984,084	23,799,399
Restricted	6,118,041	6,174,055
Unrestricted	13,612,597	10,626,215
Total Net Assets	\$41,714,722	\$40,599,669



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2012, the District’s assets exceeded liabilities by \$41,714,722.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

At year-end, capital assets represented 60% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2012, was \$21,984,084. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$6,118,041, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due an increase in taxes receivable, which was due to the District passing a new operating levy and expecting more taxes revenue. Capital Assets for the District decreased mainly due to the depreciation expense being more than additions. Long-Term Liabilities decreased mainly due to the District making scheduled debt payments.

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**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011 Restated
Revenues:		
Program Revenues		
Charges for Services	\$2,429,947	\$2,138,213
Operating Grants and Contributions	3,094,511	4,568,072
General Revenues:		
Property Taxes	13,379,442	13,775,649
Grants and Entitlements	10,579,705	10,692,098
Other	1,057,813	718,307
Total Revenues	<u>30,541,418</u>	<u>31,892,339</u>
Program Expenses:		
Instruction	14,844,563	14,573,229
Support Services:		
Pupil and Instructional Staff	3,037,568	2,876,316
School Administrative, General		
Administration, Fiscal and Business	3,393,018	3,240,430
Operations and Maintenance	2,469,574	2,633,443
Pupil Transportation	2,287,259	2,234,827
Central	445,263	130,784
Operation of Non-Instructional Services	1,124,685	1,040,781
Extracurricular Activities	525,243	504,509
Interest and Fiscal Charges	1,299,192	1,309,970
Total Program Expenses	<u>29,426,365</u>	<u>28,544,289</u>
Change in Net Assets	1,115,053	3,348,050
Net Assets Beginning of Year, Restated	<u>40,599,669</u>	<u>37,251,619</u>
Net Assets End of Year	<u>\$41,714,722</u>	<u>\$40,599,669</u>

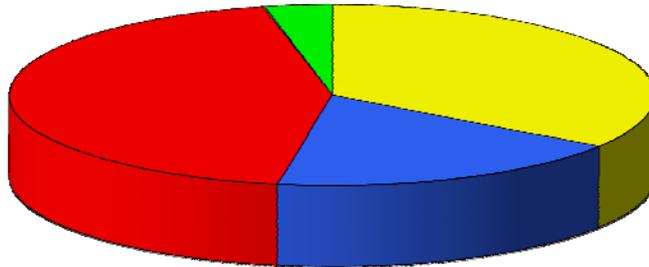
The District revenues are mainly from two sources. Property taxes levied for general, special revenue, debt service purposes, and capital projects purposes and grants and entitlements comprised 78% of the District's revenues for governmental activities.

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.

**Miami Trace Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 44% of revenue for governmental activities for the District in fiscal year 2012.

	2012	Percentage
General Grants	\$10,579,705	34.64%
Program Revenues	5,524,458	18.09%
General Tax Revenues	13,379,442	43.81%
Investment Earnings	28,954	0.09%
Other Revenues	1,028,859	3.37%
	<u>\$30,541,418</u>	<u>100.00%</u>



Instruction comprises 50% of governmental program expenses. Support services expenses were 40% of governmental program expenses. All other expenses including interest expense were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating grants and contributions decreased in fiscal year 2012 mainly due to the District receiving all of the fiscal stabilization monies in the prior fiscal year. Property taxes decreased primarily due to the decrease in the property taxes available for advance at year end compared to prior years. Instruction expense increased slightly in 2012 due to general inflationary factors.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for 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.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$14,844,563	\$14,573,229	(\$11,518,176)	(\$10,586,650)
Support Services:				
Pupil and Instructional Staff	3,037,568	2,876,316	(2,593,339)	(2,192,547)
School Administrative, General Administration, Fiscal and Business	3,393,018	3,240,430	(3,226,465)	(2,986,571)
Operations and Maintenance	2,469,574	2,633,443	(2,409,850)	(2,568,245)
Pupil Transportation	2,287,259	2,234,827	(2,189,278)	(1,942,409)
Central	445,263	130,784	(439,863)	(71,974)
Operation of Non-Instructional Services	1,124,685	1,040,781	23,112	(34,952)
Extracurricular Activities	525,243	504,509	(248,856)	(144,686)
Interest and Fiscal Charges	1,299,192	1,309,970	(1,299,192)	(1,309,970)
Total Expenses	<u>\$29,426,365</u>	<u>\$28,544,289</u>	<u>(\$23,901,907)</u>	<u>(\$21,838,004)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the major funds comprised \$27,604,152 (86%) of the total \$32,176,361 governmental fund assets.

General Fund: Fund balance at June 30, 2012 was \$12,787,512, an increase in fund balance of \$1,996,244 from 2011. The fund balance increase during the fiscal year was less than the fund balance increase from the prior fiscal year due to an increase in expenditures which was due to general inflationary factors.

Debt Service Fund: Fund balance at June 30, 2012 was \$3,811,375, an increase in fund balance of \$327,327. The fund balance increase during the fiscal year was less than the fund balance increase from the prior fiscal year due to a decrease in taxes revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

**Miami Trace Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

For the General Fund, final budget basis revenue was \$23,882,954, compared to original budget estimates of \$22,252,443. Of the \$1,630,511 difference, most was due to the estimates for taxes and intergovernmental revenue.

The General Fund’s ending unobligated cash balance was \$5,489,308.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$48,994,021 invested in land, construction in progress, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011 Restated</u>
Land	\$73,840	\$163,840
Construction in Progress	12,635	17,049
Land Improvements	521,720	562,955
Buildings and Improvements	46,861,933	48,073,099
Equipment	<u>1,523,893</u>	<u>1,768,304</u>
Total Net Capital Assets	<u>\$48,994,021</u>	<u>\$50,585,247</u>

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

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

Debt

At June 30, 2012, the District had \$27,154,970 in bonds payable, \$515,000 due within one year. Table 5 summarizes bonds outstanding at year end.

**Miami Trace Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2012	2011
General Obligation Bonds:		
2006 Bond Issue	\$15,750,000	\$16,035,000
2008 School Improvement Bonds:		
Current Interest	8,675,000	8,865,000
Capital Appreciation - Principal	76,401	76,401
Capital Appreciation - Interest	85,546	57,815
Premium	18,537	19,278
2009 School Improvement Bonds:		
Current Interest	2,455,000	2,460,000
Capital Appreciation - Principal	34,999	34,999
Capital Appreciation - Interest	59,487	38,713
	<u>\$27,154,970</u>	<u>\$27,587,206</u>

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

For the Future

District operations are funded nearly equal from local tax dollars and the state funding system. Both revenue sources are experiencing changes.

The District's five-year \$2,400,000 emergency operating levy expired at the end of calendar year 2011, with revenue collection expiring at the end of 2012. The District passed a renewal of the operating levy that became effective calendar year 2012.

During fiscal years 2009 and 2010, the District received state funding through the Ohio Evidence-Based Model (OEBM). Beginning July 1, 2011, this funding system ceased and was replaced with a temporary transitional "bridge" formula until a new funding formula is adopted. It is the state administration's goal to have a new funding formula beginning fiscal year 2014.

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

Contacting the District's Financial Management

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

Miami Trace Local School District
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$13,239,274
Restricted Cash and Investments	268,239
Cash with Fiscal Agent	3,581,937
Receivables:	
Taxes	13,841,555
Accounts	44,050
Intergovernmental	1,160,386
Deferred Bond Issuance Costs	182,543
Inventory	10,072
Nondepreciable Capital Assets	86,475
Depreciable Capital Assets, Net	<u>48,907,546</u>
 Total Assets	 <u>81,322,077</u>
Liabilities:	
Accounts Payable	274,977
Accrued Wages and Benefits	2,327,663
Retainage Payable	116,337
Accrued Interest Payable	102,884
Contracts Payable	12,636
Unearned Revenue	8,250,253
Claims Payable	387,599
Long-Term Liabilities:	
Due Within One Year	732,579
Due In More Than One Year	<u>27,402,427</u>
 Total Liabilities	 <u>39,607,355</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	21,984,084
Restricted for:	
Debt Service	3,811,769
Capital Projects	130,664
Classroom Facilities Maintenance	1,912,904
Federal Grants	210,276
Other Purposes	52,428
Unrestricted	<u>13,612,597</u>
 Total Net Assets	 <u>\$41,714,722</u>

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$9,874,585	\$1,416,703	\$39,985	(\$8,417,897)
Special	2,825,381	167,953	1,479,227	(1,178,201)
Vocational	218,328	0	110,321	(108,007)
Other	1,926,269	3,250	108,948	(1,814,071)
Support Services:				
Pupil	1,429,245	0	237,946	(1,191,299)
Instructional Staff	1,608,323	0	206,283	(1,402,040)
General Administration	52,308	0	0	(52,308)
School Administration	2,468,781	0	158,488	(2,310,293)
Fiscal	764,052	0	8,065	(755,987)
Business	107,877	0	0	(107,877)
Operations and Maintenance	2,469,574	0	59,724	(2,409,850)
Pupil Transportation	2,287,259	36,816	61,165	(2,189,278)
Central	445,263	0	5,400	(439,863)
Operation of Non-Instructional Services	1,124,685	528,838	618,959	23,112
Extracurricular Activities	525,243	276,387	0	(248,856)
Interest and Fiscal Charges	1,299,192	0	0	(1,299,192)
Total Governmental Activities	\$29,426,365	\$2,429,947	\$3,094,511	(23,901,907)
		General Revenues:		
		Property Taxes Levied for:		
			General Purposes	10,761,331
			Capital Maintenance Purposes	355,746
			Debt Service Purposes	1,863,896
			Capital Projects Purposes	398,469
			Grants and Entitlements not Restricted	10,579,705
			Payment in Lieu of Taxes	508,342
			Unrestricted Contributions	81,297
			Investment Earnings	28,954
			Other Revenues	439,220
			Total General Revenues	25,016,960
			Change in Net Assets	1,115,053
			Net Assets Beginning of Year, Restated	40,599,669
			Net Assets End of Year	\$41,714,722

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$7,094,682	\$3,067,497	\$3,077,095	\$13,239,274
Restricted Cash and Investments	151,902	0	116,337	268,239
Cash with Fiscal Agent	3,581,937	0	0	3,581,937
Receivables:				
Taxes	11,017,832	2,065,121	758,602	13,841,555
Accounts	42,904	0	1,146	44,050
Intergovernmental	551,429	0	608,957	1,160,386
Interfund	30,848	0	0	30,848
Inventory	0	0	10,072	10,072
Total Assets	22,471,534	5,132,618	4,572,209	32,176,361
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	50,988	0	223,989	274,977
Accrued Wages and Benefits	2,013,481	0	314,182	2,327,663
Compensated Absences	43,084	0	0	43,084
Retainage Payable	0	0	116,337	116,337
Contracts Payable	0	0	12,636	12,636
Interfund Payable	0	0	30,848	30,848
Deferred Revenue	7,188,870	1,321,243	649,356	9,159,469
Claims Payable	387,599	0	0	387,599
Total Liabilities	9,684,022	1,321,243	1,347,348	12,352,613
Fund Balances:				
Nonspendable	0	0	10,072	10,072
Restricted	0	3,811,375	2,352,528	6,163,903
Committed	151,902	0	868,413	1,020,315
Assigned	3,385,419	0	0	3,385,419
Unassigned	9,250,191	0	(6,152)	9,244,039
Total Fund Balances	12,787,512	3,811,375	3,224,861	19,823,748
Total Liabilities and Fund Balances	\$22,471,534	\$5,132,618	\$4,572,209	\$32,176,361

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, 2012

Total Governmental Fund Balance \$19,823,748

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. 48,994,021

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

Delinquent Property Taxes	720,136	
Intergovernmental	<u>189,080</u>	
		909,216

In the statement of net assets interest payable is accrued when
 incurred, whereas in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (102,884)

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.

Compensated Absences	(936,952)
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Deferred bond issuance cost associated with long-term liabilities
 are not reported in the funds. 182,543

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds. (27,154,970)

Net Assets of Governmental Activities \$41,714,722

See accompanying notes the the Basic Financial Statements.

Miami Trace Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$10,401,957	\$1,806,172	\$729,014	\$12,937,143
Payments in Lieu of Taxes	444,666	84,749	420	529,835
Tuition and Fees	1,537,576	0	0	1,537,576
Investment Earnings	17,898	1,681	9,375	28,954
Intergovernmental	11,126,050	223,395	2,819,110	14,168,555
Extracurricular Activities	129,157	0	234,376	363,533
Charges for Services and Sales	1,180	0	527,658	528,838
Other Revenues	357,705	0	155,963	513,668
Total Revenues	24,016,189	2,115,997	4,475,916	30,608,102
Expenditures:				
Current:				
Instruction:				
Regular	8,121,087	0	579,830	8,700,917
Special	1,895,125	0	750,589	2,645,714
Vocational	87,810	0	0	87,810
Other	1,926,269	0	0	1,926,269
Support Services:				
Pupil	923,037	0	257,415	1,180,452
Instructional Staff	1,350,765	0	182,166	1,532,931
General Administration	52,308	0	0	52,308
School Administration	2,056,309	0	173,270	2,229,579
Fiscal	674,382	63,132	23,041	760,555
Business	103,837	0	0	103,837
Operations and Maintenance	1,943,931	0	93,054	2,036,985
Pupil Transportation	2,028,475	0	37,593	2,066,068
Central	435,508	0	9,755	445,263
Operation of Non-Instructional Services	86,343	0	1,033,521	1,119,864
Extracurricular Activities	258,765	0	232,531	491,296
Capital Outlay	72,894	0	1,338,655	1,411,549
Debt Service:				
Principal Retirement	0	480,000	0	480,000
Interest and Fiscal Charges	0	1,245,538	0	1,245,538
Total Expenditures	22,016,845	1,788,670	4,711,420	28,516,935
Excess of Revenues Over (Under) Expenditures	1,999,344	327,327	(235,504)	2,091,167
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	90,000	90,000
Transfers In	0	0	3,100	3,100
Transfers (Out)	(3,100)	0	0	(3,100)
Total Other Financing Sources (Uses)	(3,100)	0	93,100	90,000
Net Change in Fund Balance	1,996,244	327,327	(142,404)	2,181,167
Fund Balance Beginning of Year	10,791,268	3,484,048	3,367,265	17,642,581
Fund Balance End of Year	\$12,787,512	\$3,811,375	\$3,224,861	\$19,823,748

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, 2012

Net Change in Fund Balance - Total Governmental Funds \$2,181,167

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	749,175	
Depreciation Expense	<u>(2,250,401)</u>	
		(1,501,226)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (90,000)

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

Delinquent Property Taxes	(64,811)	
Intergovernmental	<u>(1,873)</u>	
		(66,684)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 480,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 1,795

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

Compensated Absences	165,450	
Amortization of Bond Issuance Cost	(7,685)	
Amortization of Bond Premium	741	
Bond Accretion	<u>(48,505)</u>	
		<u>110,001</u>

Change in Net Assets of Governmental Activities \$1,115,053

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$430,911	\$80,608
Receivables:		
Accounts	<u> 0</u>	<u> 1,329</u>
Total Assets	<u> 430,911</u>	<u> 81,937</u>
Liabilities:		
Accounts Payable	0	1,644
Other Liabilities	<u> 0</u>	<u> 80,293</u>
Total Liabilities	<u> 0</u>	<u> \$81,937</u>
Net Assets:		
Held in Trust	<u> 430,911</u>	
Total Net Assets	<u> \$430,911</u>	

See accompanying notes to the Basic Financial Statements.

Miami Trace Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust</u>
Additions:	
Donations	\$38,875
Investment Earnings	214
Other	<u>1,000</u>
Total Additions	<u>40,089</u>
Deductions:	
Scholarships	<u>35,020</u>
Total Deductions	<u>35,020</u>
Change in Net Assets	5,069
Net Assets Beginning of Year	<u>425,842</u>
Net Assets End of Year	<u><u>\$430,911</u></u>

See accompanying notes to the Basic Financial Statements.

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012**

Note 1 - Description of the District

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

Miami Trace covers 406 square miles, much of which is reputed to be among the most productive farmland in the state. The District's geographical size ranks among the top five in Ohio. At the present time, approximately 2,446 students attend one elementary school, one middle school and one comprehensive high school.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's instructional and support facilities staffed by 124 non-certificated personnel and 188 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 four jointly governed organizations. These organizations are discussed in the notes to the basic financial statements. These organizations are:

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

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

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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.

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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 are the District's major governmental funds:

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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 has a private purpose trust fund which accounts for scholarship programs for students. The District also has a student activity agency fund, which accounts for assets and liabilities generated by student managed activities. The student activities consist of a student body, student president, student treasurer and a faculty advisor.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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

Equity In Pooled Cash Investments

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

The District participates in a self funded health insurance program that pays employees health insurance claims on the District’s behalf. The balance of the District’s funds held by the claims administrator and the fiscal agent at June 30, 2012 is presented as “Cash with Fiscal Agent” on the balance sheet.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. 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, 2012.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2012 amounted to \$17,898 for the General Fund, \$1,681 for the Debt Service Fund, and \$9,375 for Other Governmental Funds.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale 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 capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Compensated Absences

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

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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

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

Net 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. Of the District's \$6,118,041 in restricted net assets, none were restricted by enabling legislation.

Interfund Activity

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

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.

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

Fund Balance

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

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

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

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

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

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

The District applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Restricted Assets

Restricted assets in the General Fund represent equity in pooled cash and investments set aside to establish a health insurance budget stabilization for health and prescription drug benefits for the District. Restricted assets in Other Governmental Funds represent equity in pooled cash and investments set aside to establish retainage accounts for continuing improvements (construction projects) throughout the District.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2012, \$7,259,098 of the District's bank balance of \$7,509,098 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District participates in a self funded health insurance program that pays employees health insurance claims on the District's behalf. The balance of the District's funds held by the claims administrator and the fiscal agent at June 30, 2012 was \$3,581,937 (presented as "Cash with Fiscal Agent" on the balance sheet).

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

**Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012**

Investments

As of June 30, 2012, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	\$6,677,243	0.14

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

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

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

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

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (certain) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Fayette County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$4,266,777 in the General Fund, \$743,878 in the Debt Service Fund and \$298,326 in Other Governmental Funds.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$341,873,600
Public Utility Personal	<u>84,161,914</u>
Total	<u><u>\$426,035,514</u></u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 5 – Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (rent and student fees), intergovernmental grants, and interfund. 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.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$163,840	\$0	\$90,000	\$73,840
Construction in Progress	17,049	43,781	48,195	12,635
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,150,807	19,248	0	1,170,055
Buildings and Improvements	54,597,643	631,580	0	55,229,223
Equipment	5,476,118	102,761	0	5,578,879
Totals at Historical Cost	<u>61,405,457</u>	<u>797,370</u>	<u>138,195</u>	<u>62,064,632</u>
Less Accumulated Depreciation:				
Land Improvements	587,852	60,483	0	648,335
Buildings and Improvements	6,524,544	1,842,746	0	8,367,290
Equipment	3,707,814	347,172	0	4,054,986
Total Accumulated Depreciation	<u>10,820,210</u>	<u>2,250,401</u>	<u>0</u>	<u>13,070,611</u>
Governmental Activities Capital Assets, Net	<u>\$50,585,247</u>	<u>(\$1,453,031)</u>	<u>\$138,195</u>	<u>\$48,994,021</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,051,309
Special	187,338
Vocational	100,582
Support Services:	
Pupil	133,938
Instructional Staff	68,807
School Administration	227,487
Fiscal	7,165
Business	2,150
Operations and Maintenance	217,197
Pupil Transportation	216,073
Operation of Non-Instructional Services	4,408
Extracurricular Activities	33,947
Total Depreciation Expense	<u>\$2,250,401</u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 7 - Long-Term Liabilities

	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:						
General Obligation Bonds Payable:						
2006 Bond Issue 4.00%	12/01/2033	\$16,035,000	\$0	\$285,000	\$15,750,000	\$310,000
2008 School Improvement Bonds:						
Current Interest - 4.00-5.25%	12/01/2036	8,865,000	0	190,000	8,675,000	200,000
Principal - 4.00-5.25%	*	76,401	0	0	76,401	0
Capital Appreciation		57,815	27,731	0	85,546	0
Premium		19,278	0	741	18,537	0
2009 School Improvements Bonds:						
Current Interest - 4.00-5.25%	12/01/2031	2,460,000	0	5,000	2,455,000	5,000
Principal - 4.00-5.25%	*	34,999	0	0	34,999	0
Capital Appreciation		38,713	20,774	0	59,487	0
Total Long Term Debt		27,587,206	48,505	480,741	27,154,970	515,000
Compensated Absences		1,162,349	115,301	297,614	980,036	217,579
Total Governmental Activities						
Long Term Liabilities		<u>\$28,749,555</u>	<u>\$163,806</u>	<u>\$778,355</u>	<u>\$28,135,006</u>	<u>\$732,579</u>

* - Bonds mature on 12/01/2016, 12/01/2017 and 12/01/2018

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

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

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$515,000	\$1,230,941	\$1,745,941	\$0	\$0	\$0
2014	605,000	1,206,772	1,811,772	0	0	0
2015	635,000	1,178,312	1,813,312	0	0	0
2016	705,000	1,148,000	1,853,000	0	0	0
2017	650,000	1,117,981	1,767,981	30,634	119,366	150,000
2018-2022	4,100,000	5,147,089	9,247,089	80,766	544,234	625,000
2023-2027	6,305,000	3,999,931	10,304,931	0	0	0
2028-2032	8,295,000	2,367,682	10,662,682	0	0	0
2033-2037	5,070,000	540,042	5,610,042	0	0	0
Total	<u>\$26,880,000</u>	<u>\$17,936,750</u>	<u>\$44,816,750</u>	<u>\$111,400</u>	<u>\$663,600</u>	<u>\$775,000</u>

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 8 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.7%. The remaining 1.3% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$485,088, \$484,992, and \$457,332, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Plan Options

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

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Combined Plan Benefits

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$1,412,808, \$1,404,228, and \$1,484,316, respectively; 83% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 9 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75%. District contributions for the years ended June 30, 2012, 2011 and 2010 were \$25,987, \$26,328 and \$24,827, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$19,057, \$49,538, and \$15,027, respectively; 100% has been contributed for fiscal years 2012, 2011 and 2010.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$100,915, \$100,302, and \$106,023, respectively; 83% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

Note 10 - Contingent Liabilities

Student Attendance Data Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

The District is involved in a couple of lawsuits with the special education department. These lawsuits are still pending as of the fiscal year end. The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 11 - 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 24 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 \$67,264 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 Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and federal and state grants.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the District. The District has neither ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 12 - 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 \$12,000,000 for each occurrence and \$14,000,000 in the general aggregate. Other liability insurance includes \$12,000,000 for fleet liability, and \$1,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$73,967,336.

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.

The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation to service the claims up to \$500,000 per individual. The District also had a stop loss coverage insurance policy through OME-RESA which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with OME-RESA which covered individual claims in excess of \$50,000 up to \$500,000 per employee per year for medical claims.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

The claims liability of \$387,599 reported in the general fund at June 30, 2012 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Balance
2011	\$297,953	\$3,255,276	(\$3,171,830)	\$381,399
2012	381,399	3,020,665	(3,014,465)	387,599

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

Note 13 - 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, 2012, the reserve activity (cash-basis) was as follows:

	Capital Maintenance Reserve
Balance as of June 30, 2011	\$0
Required Set-Aside	417,803
Qualifying Expenditures	(671,422)
Current Year Offsets	(521,142)
Balance as of June 30, 2012	<u>(\$774,761)</u>

Expenditures for capital activity during the year totaled \$671,422, 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.

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 14 - Interfund Transactions

Interfund transactions at June 30, 2012, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$30,848	\$0	\$0	\$3,100
Other Governmental Funds	0	30,848	3,100	0
	<u>\$30,848</u>	<u>\$30,848</u>	<u>\$3,100</u>	<u>\$3,100</u>

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

Note 15 – Accountability

As of year end, the following funds had deficit fund balances:

<u>Other Governmental Funds:</u>	
Special Revenue:	
Education Jobs	\$1,643
Improving Teacher Quality	4,509

The deficits in fund balances were primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 16 – Fund Balances

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

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$0	\$0	\$10,072	\$10,072
Total Nonspendable	0	0	10,072	10,072
Restricted for:				
Extracurricular Student Activities	0	0	49,951	49,951
Data Communication	0	0	65	65
School Net Professional Development	0	0	36	36
Miscellaneous State Grants	0	0	563	563
Special Education	0	0	20,409	20,409
Title I	0	0	11,327	11,327
IDEA Preschool	0	0	1,153	1,153
Miscellaneous Federal Grants	0	0	1,287	1,287
Race to the Top	0	0	642	642
Food Service	0	0	241,295	241,295
Classroom Facilities Maintenance	0	0	1,895,136	1,895,136
Debt Service	0	3,811,375	0	3,811,375
Classroom Facilities Buildings	0	0	59,284 71,380	59,284 71,380
Total Restricted	0	3,811,375	2,352,528	6,163,903
Committed to:				
Health Insurance Budget Stabilization	151,902	0	0	151,902
Permanent Improvements	0	0	868,413	868,413
Total Committed	151,902	0	868,413	1,020,315
Assigned to:				
Encumbrances	476,129	0	0	476,129
Public School	46,418	0	0	46,418
Special Enterprises	15,863	0	0	15,863
Employee Benefits Self-Insurance	1,201,872	0	0	1,201,872
Budgetary Resource	1,645,137	0	0	1,645,137
Total Assigned	3,385,419	0	0	3,385,419
Unassigned (Deficit)	9,250,191	0	(6,152)	9,244,039
Total Fund Balance	\$12,787,512	\$3,811,375	\$3,224,861	\$19,823,748

Miami Trace Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 17 – Restatement of Net Assets

A restatement of net assets was made to reflect the Districts changes made to capital assets (changing their capitalization threshold from \$2,500 to \$5,000 and including land cost from prior years). The following adjustment was made:

	<u>Governmental Activities</u>
Net Assets, June 30, 2011	<u>\$40,549,098</u>
Capital Asset Restatement	<u>50,571</u>
Restated Net Assets, June 30, 2011	<u><u>\$40,599,669</u></u>

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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,782,657	\$10,499,465	\$10,433,916	(\$65,549)
Revenue in lieu of taxes	416,911	447,460	444,666	(2,794)
Tuition and Fees	1,439,444	1,544,917	1,535,272	(9,645)
Investment Earnings	16,037	17,212	17,105	(107)
Intergovernmental	10,325,926	11,082,541	11,013,352	(69,189)
Extracurricular Activities	291	312	310	(2)
Charges for Services and Sales	1,106	1,187	1,180	(7)
Other Revenues	270,071	289,860	288,050	(1,810)
Total Revenues	22,252,443	23,882,954	23,733,851	(149,103)
Expenditures:				
Current:				
Instruction:				
Regular	8,547,159	8,597,520	8,420,378	177,142
Special	2,044,219	2,056,264	2,013,897	42,367
Vocational	92,277	92,820	90,908	1,912
Other	1,951,410	1,962,907	1,922,464	40,443
Support Services:				
Pupil	911,814	917,187	898,289	18,898
Instructional Staff	1,412,946	1,421,272	1,391,988	29,284
General Administration	55,648	55,976	54,823	1,153
School Administration	2,135,700	2,148,284	2,104,021	44,263
Fiscal	701,822	705,957	691,412	14,545
Business	107,079	107,710	105,491	2,219
Operations and Maintenance	2,254,152	2,267,434	2,220,716	46,718
Pupil Transportation	2,116,006	2,128,474	2,084,619	43,855
Central	441,220	443,819	434,675	9,144
Extracurricular Activities	264,575	266,134	260,651	5,483
Capital Outlay	88,922	89,446	87,603	1,843
Total Expenditures	23,124,949	23,261,204	22,781,935	479,269
Excess of Revenues Over (Under) Expenditures	(872,506)	621,750	951,916	330,166
Other Financing Sources (Uses):				
Transfers (Out)	(3,147)	(3,165)	(3,100)	65
Total Other Financing Sources (Uses)	(3,147)	(3,165)	(3,100)	65
Net Change in Fund Balance	(875,653)	618,585	948,816	330,231
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,540,492	4,540,492	4,540,492	0
Fund Balance End of Year	\$3,664,839	\$5,159,077	\$5,489,308	\$330,231

See accompanying notes to the Required Supplementary Information.

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2012.

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

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

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

Miami Trace Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,996,244
Revenue Accruals	(283,575)
Expenditure Accruals	(236,326)
Encumbrances	(520,082)
Funds Budgeted Elsewhere	<u>(7,445)</u>
Budget Basis	<u><u>\$948,816</u></u>

Miami Trace Local School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 55,345	55,345
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2012	10.553	128,853	128,853
National School Lunch Program	LLP4-2012	10.555	<u>423,039</u>	<u>423,039</u>
<i>Cash Assistance Subtotal</i>			<u>551,892</u>	<u>551,892</u>
Nutrition Cluster Total			<u>607,237</u>	<u>607,237</u>
Total U.S. Department of Agriculture			<u>607,237</u>	<u>607,237</u>
U.S. Department of Education:				
<i>(Passed through Ohio Department of Education)</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	70,728	72,376
Title I Grants to Local Educational Agencies	C1S1-2012	84.010	483,587	500,615
ARRA - Title I Grants to Local Educational Agencies	n/a	84.389	<u>11,923</u>	<u>12,080</u>
			<u>566,238</u>	<u>585,071</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2011	84.027	89,876	73,271
Special Education - Grants to States	6BSF-2012	84.027	512,023	506,243
ARRA - Special Education - Grants to States	n/a	84.391	31,279	26,431
Special Education - Preschool Grants	PGS1-2011	84.173	1,450	1,666
Special Education - Preschool Grants	PGS1-2012	84.173	10,381	10,344
ARRA - Special Education - Preschool Grants	n/a	84.392	<u>1,965</u>	<u>2,017</u>
			<u>646,974</u>	<u>619,972</u>
Safe and Drug-Free Schools and Communities	DRS1-2011	84.186	<u>1,308</u>	<u>1,548</u>
Education Technology State Grants	TJS1-2012	84.318	<u>4,325</u>	<u>3,800</u>
Improving Teacher Quality State Grants	TRS1-2011	84.367	33,541	21,642
Improving Teacher Quality State Grants	TRS1-2012	84.367	<u>146,777</u>	<u>149,637</u>
			<u>180,318</u>	<u>171,279</u>
ARRA - Race to the Top Incentive Grants	n/a	84.395	<u>21,853</u>	<u>21,622</u>
Education Jobs Fund	n/a	84.410	<u>429,763</u>	<u>443,583</u>
Total U.S. Department of Education			<u>1,850,779</u>	<u>1,846,875</u>
Total Federal Awards			\$ <u>2,458,016</u>	<u>2,454,112</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NUTRITION CLUSTER

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

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

To the Board of Education
Miami Trace Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Trace Local School District ("School District") as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 19, 2012. 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.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 19, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Miami Trace Local School District:

Compliance

We have audited Miami Trace Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 19, 2012

Miami Trace Local School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>CFDA 84.410 – Education Jobs Fund</i>	
<i>Title I, Part A Cluster</i>	
<i>CFDA 84.010 – Title I Grants to Local Educational Agencies</i>	
<i>CFDA 84.389 – ARRA – Title I Grants to Local Educational Agencies</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

2011-1 – Audit Adjustment

Prior Year Condition: During the course of our audit, we identified to misstatements in the financial statements for the year under audit that were not initially identified by the School District's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District's financial statements did not operate as designed as we consider this a significant deficiency.

Status: Corrected.

2011-2 – Transportation Inventory Control

Prior Year Condition: During the year ended June 30, 2011, the Treasurer discovered improper handling of School District assets by the Transportation Department and reported the circumstances to the Ohio Auditor of State's Office. During the course of our audit, we reviewed documentation the Treasurer obtained from the Transportation Supervisor that demonstrated he and other employees of the Transportation Department had been selling scrap parts and materials of the School District to scrap yards and recycling centers over the past years for cash. Proceeds from the sale of scrap materials were not deposited with the School District Treasurer as required. For the period from July 2010 to July 2011, the School District was able to determine that at least \$4,179 was received from such sales but is unable to substantiate the total amount received. The Transportation Department held the proceeds and operated an unauthorized cash fund. Furthermore, the School District is unable to determine how the proceeds from these sales were disbursed as disbursements were not properly authorized in accordance with School District policy.

Status: Corrected.



Dave Yost • Auditor of State

MIAMI TRACE LOCAL SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 7, 2013