

NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2005

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
New Miami Local School District
600 Seven Mile Ave.
Hamilton, OH 45011

We have reviewed the *Independent Auditors' Report* of the New Miami Local School District, Butler County, prepared by Foxx & Company CPAs, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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BETTY MONTGOMERY
Auditor of State

July 24, 2006

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NEW MIAMI LOCAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Education
New Miami Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of New Miami Local School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

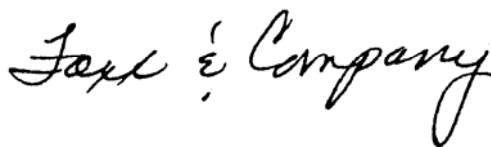
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of New Miami Local School District, Butler County, Ohio, as of June 30, 2005, 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.

As described in Note 2 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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.

The Management's Discussion and Analysis and budgetary comparison on pages 3 to 9 and 35 through 36 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Jaxx & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Cincinnati, Ohio
November 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District for the year ended June 30, 2005. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2005 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$12.4 million. Of this amount, \$11.4 million is invested in capital assets, net of related debt.
- ✓ In total, net assets decreased by approximately \$150,000.
- ✓ The School District had \$7.4 million in expenses related to governmental activities; only \$1.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$5.8 million, made up primarily of property taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance increased by approximately \$339,000 from \$579,083 at June 30, 2004 to \$917,762 at June 30, 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2005
Unaudited

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

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

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

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

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

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

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Management's Discussion and Analysis
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Unaudited

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget of the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2005:

	<u>FY05</u>	<u>FY04</u>
Current and other assets	\$ 3,228,114	3,162,449
Capital assets	<u>13,632,261</u>	<u>14,028,513</u>
Total assets	<u>16,860,375</u>	<u>17,190,962</u>
Long-term debt outstanding	2,543,394	2,734,996
Other liabilities	<u>1,868,038</u>	<u>1,856,998</u>
Total liabilities	<u>4,411,432</u>	<u>4,591,994</u>
Net assets:		
Invested in capital assets, net of debt	11,395,261	11,686,434
Restricted:		
For capital purposes	85,602	297,125
Other purposes	176,768	197,067
Unrestricted	<u>791,312</u>	<u>418,342</u>
Total net assets	<u>\$ 12,448,943</u>	<u>12,598,968</u>

Capital assets decreased due to the recognition of approximately \$462,000 of depreciation which was only partially offset by capital asset additions of approximately \$66,000. The School District, in recent years, completed the construction and renovation of school facilities.

Long-term liabilities decreased primarily due to the payment of regularly scheduled note, bond, capital lease and lease purchase agreements which totaled approximately \$105,000 and a reduction of the compensated absences liability brought about by significant retirements in the current fiscal year.

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B. Governmental Activities during fiscal year 2005

The following table presents a condensed summary of the School District's activities during fiscal year 2005 and the resulting change in net assets:

	<u>FY05</u>	<u>FY04</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 250,871	238,658
Operating grants and contributions	1,165,312	1,111,404
Capital grants and contributions	<u>-</u>	<u>18,150</u>
Total program revenues	<u>1,416,183</u>	<u>1,368,212</u>
General revenues:		
Property and income taxes	1,521,972	1,539,023
Grants and entitlements	4,211,017	3,983,300
Investment earnings	36,714	15,174
Miscellaneous	<u>64,632</u>	<u>46,883</u>
Total general revenues	<u>5,834,335</u>	<u>5,584,380</u>
Total revenues	<u>7,250,518</u>	<u>6,952,592</u>
Expenses:		
Instruction	3,908,156	4,006,144
Support services:		
Pupil	150,519	170,798
Instructional staff	173,965	229,961
Board of Education	41,525	37,872
Administration	926,560	871,227
Fiscal	157,312	144,773
Business	16,048	31,971
Operation and maintenance of plant	946,614	714,124
Pupil transportation	382,624	366,649
Non-instructional services	189,963	175,005
Interest and fiscal charges	113,206	118,159
Food services	<u>394,051</u>	<u>367,637</u>
Total expenses	<u>7,400,543</u>	<u>7,234,320</u>
Change in net assets	<u>\$ (150,025)</u>	<u>(281,728)</u>

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Total revenues only grew by approximately 4% during the year ended June 30, 2005. The largest increase was in grants and entitlements which increased about \$228,000 due to increased state foundation funding.

The increase in total expenses was slightly greater than 2% during the year ended June 30, 2005. Normal increases in expenses due to wage increases and operating expenses were partially offset by reduced instructional and instructional staff costs. The School District eliminated two teaching positions as well as two instructional aide positions in response to their financial forecasts.

Of the total governmental activities revenues of \$7,250,518, \$1,416,183 (20%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 26% (\$1,521,972) comes from property and income taxes and 72% (\$4,211,017) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

The School District's governmental activities net assets decreased by (\$150,025) due primarily to depreciation expense exceeding capital assets additions.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 19% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$3,908,156 but program revenue contributed to fund 23% of those costs. Thus, general revenues of \$3,007,412 were used to support of remainder of the instruction costs.

Governmental Activities

		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$	3,908,156	900,744	23%	3,007,412
Support services		2,795,167	108,162	4%	2,687,005
Non-instructional services		189,963	40,643	21%	149,320
Food services		394,051	366,634	93%	27,417
Interest and fiscal charges		<u>113,206</u>	<u>-</u>	0%	<u>113,206</u>
Total	\$	<u>7,400,543</u>	<u>1,416,183</u>	<u>19%</u>	<u>5,984,360</u>

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FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$2,548,437 (78%) of the total \$3,256,883 governmental funds assets.

General Fund. Fund balance at June 30, 2005 was \$917,762, with an unreserved fund balance of \$866,613. The fund balance increased by \$338,679 . The unreserved fund balance represents approximately 16% of current-year general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. There were no significant differences between the original and final budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2005, the School District had invested in a broad range of capital assets, including land, buildings and equipment. The School District had very little capital asset activity during the year ended June 30, 2005 due in large part to constructing new buildings two years ago. See Note 6 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY05</u>	<u>FY04</u>
Land	\$	428,932	428,932
Buildings and improvements		12,887,810	13,162,019
Equipment and furniture		<u>315,519</u>	<u>437,562</u>
Total	\$	<u><u>13,632,261</u></u>	<u><u>14,028,513</u></u>

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Debt

During the year ended June 30, 2005, the School District fully retired its obligations for both the energy conservation notes and a capital lease. In addition, the School District made its regularly scheduled payments for general obligation bonds and the lease-purchase agreement. As of June 30, 2005, the School District's obligations for general obligation bonds and the lease-purchase agreement are \$2,237,000 which are payable over the next eighteen years. See Note 12 to the financial statements for more detail.

ECONOMIC FACTORS

A challenge facing the School District is the future of state funds. On December 11, 2002, the Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 1,880,755
Receivables:	
Taxes	1,311,741
Accounts	3,657
Intergovernmental	22,076
Supplies inventory	9,885
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>13,203,329</u>
Total assets	<u>16,860,375</u>
Liabilities:	
Accounts payable	14,307
Accrued wages and benefits	664,478
Intergovernmental payable	166,027
Deferred revenue	1,014,320
Accrued interest payable	8,906
Noncurrent liabilities:	
Due within one year	142,096
Due within more than one year	<u>2,401,298</u>
Total liabilities	<u>4,411,432</u>
Net Assets:	
Invested in capital assets, net of related debt	11,395,261
Restricted for:	
Capital projects	85,602
Other purposes	176,768
Unrestricted	<u>791,312</u>
Total net assets	\$ <u><u>12,448,943</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2005

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,454,416	52,810	561,356	(2,840,250)
Special education	446,522	-	286,578	(159,944)
Adult/continuing	7,218	-	-	(7,218)
Support services:				
Pupil	150,519	-	-	(150,519)
Instructional staff	173,965	-	24,948	(149,017)
Board of Education	41,525	-	-	(41,525)
Administration	926,560	-	64,954	(861,606)
Fiscal	157,312	-	-	(157,312)
Business	16,048	-	-	(16,048)
Operation and maintenance of plant	946,614	-	2,370	(944,244)
Pupil transportation	382,624	-	15,890	(366,734)
Non-instructional services:				
Extracurricular activities	189,963	40,643	-	(149,320)
Food service	394,051	157,418	209,216	(27,417)
Interest on long-term debt	113,206	-	-	(113,206)
Total Governmental Activities	\$ 7,400,543	250,871	1,165,312	(5,984,360)
General Revenues:				
Property taxes, levied for general purposes				928,539
Property taxes, levied for debt services				163,762
Income taxes				429,671
Grants and entitlements not restricted to specific programs				4,211,017
Investment earnings				36,714
Miscellaneous				64,632
Total general revenues				5,834,335
Change in net assets				(150,025)
Net assets beginning of year				12,598,968
Net assets end of year				12,448,943

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 1,397,094	483,661	1,880,755
Receivables:			
Taxes	1,112,122	199,619	1,311,741
Accounts	1,650	2,007	3,657
Intergovernmental	-	22,076	22,076
Materials and supplies inventory	8,802	1,083	9,885
Interfund receivable	28,769	-	28,769
Total assets	<u>2,548,437</u>	<u>708,446</u>	<u>3,256,883</u>
Liabilities:			
Accounts payable	14,307	-	14,307
Accrued wages and benefits	520,207	144,271	664,478
Intergovernmental payable	152,276	13,751	166,027
Interfund payable	-	28,769	28,769
Compensated absences payable	17,050	-	17,050
Deferred revenue	926,835	191,419	1,118,254
Total liabilities	<u>1,630,675</u>	<u>378,210</u>	<u>2,008,885</u>
Fund Balances:			
Reserved for:			
Encumbrances	3,347	4,205	7,552
Inventory	8,802	1,083	9,885
Property taxes	39,000	8,200	47,200
Debt service	-	151,511	151,511
Unreserved, reported in:			
General Fund	866,613	-	866,613
Special Revenue Funds	-	75,338	75,338
Capital Projects Funds	-	89,899	89,899
Total fund balances	<u>917,762</u>	<u>330,236</u>	<u>1,247,998</u>
Total liabilities and fund balances	<u>\$ 2,548,437</u>	<u>708,446</u>	<u>3,256,883</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balances \$ 1,247,998

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. 13,632,261

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

General obligation bonds	1,943,000	
Compensated absences	289,344	
Lease-purchase agreement	294,000	
Accrued interest payable	<u>8,906</u>	
Total		<u>(2,535,250)</u>

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. 103,934

Net Assets of Governmental Activities \$ 12,448,943

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,381,037	193,000	1,574,037
Tuition and fees	27,205	25,605	52,810
Interest	36,714	-	36,714
Intergovernmental	4,190,215	1,186,152	5,376,367
Charges for services	-	159,510	159,510
Other local revenues	53,293	49,852	103,145
Total revenues	<u>5,688,464</u>	<u>1,614,119</u>	<u>7,302,583</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,520,129	517,715	3,037,844
Special education	162,464	388,576	551,040
Other instruction	7,218	-	7,218
Support services:			
Pupil	148,216	1,934	150,150
Instructional staff	135,598	24,454	160,052
Board of Education	41,525	-	41,525
Administration	888,323	73,885	962,208
Fiscal	158,972	-	158,972
Business	16,048	-	16,048
Operation and maintenance of plant	716,609	25,548	742,157
Pupil transportation	367,931	14,693	382,624
Non-instructional services:			
Extracurricular activities	118,519	69,174	187,693
Community service	-	2,270	2,270
Food services	-	346,179	346,179
Capital outlay	-	197,807	197,807
Debt Service:			
Principal	11,079	94,000	105,079
Interest and fiscal charges	261	113,519	113,780
Total expenditures	<u>5,292,892</u>	<u>1,869,754</u>	<u>7,162,646</u>
Excess of revenues over (under) expenditures	<u>395,572</u>	<u>(255,635)</u>	<u>139,937</u>
Other financing sources (uses):			
Transfers in	10,000	66,893	76,893
Transfers out	(66,893)	(10,000)	(76,893)
Total other financing sources (uses):	<u>(56,893)</u>	<u>56,893</u>	<u>-</u>
Net change in fund balance	338,679	(198,742)	139,937
Fund balance, beginning of year, restated	579,083	528,978	1,108,061
Fund balance, end of year	\$ <u>917,762</u>	<u>330,236</u>	<u>1,247,998</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	139,937
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay		65,685
Depreciation expense		(461,937)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		94,000
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		11,079
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		574
<p>Some expenses reported in the statement of activities, such as compensated absences and pension obligation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		52,702
<p>Revenues in the statement of activities that do not provide current financial current financial resources are not reported as revenues in the funds.</p>		
		<u>(52,065)</u>
 Change in Net Assets of Governmental Activities	 \$	 <u>(150,025)</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2005

		Private Purpose Trusts	Agency Funds
		<u> </u>	<u> </u>
ASSETS			
Equity in pooled cash and investments	\$	<u>16,314</u>	<u>18,364</u>
Total assets		<u><u>16,314</u></u>	<u><u>18,364</u></u>
LIABILITIES			
Due to student groups		<u>-</u>	<u>18,364</u>
Total liabilities		<u>-</u>	<u>18,364</u>
NET ASSETS			
Held in trust	\$	<u><u>16,314</u></u>	<u><u>-</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2005

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ <u>12,297</u>
Total additions	<u>12,297</u>
Deductions:	
Community gifts, awards and scholarships	<u>4,535</u>
Total deductions	<u>4,535</u>
Change in net assets	7,762
Net assets, beginning of year	<u>8,552</u>
Net assets, end of year	\$ <u><u>16,314</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Miami Local School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 860 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

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

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

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

B. Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

C. **Fund Accounting**

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

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

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

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, private-purpose trust funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2005, which are intended to finance fiscal year 2006 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2005, investments were limited to certificates of deposit.

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

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

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School 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 capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

H. Compensated Absences

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

J. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and thus are not available for appropriation or expenditure. Unreserved fund balances indicates the portion of fund equity that is available for future appropriation. Fund equity reserves are established for encumbrances, property taxes, debt service and inventory.

K. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. 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.

2. CHANGE IN ACCOUNTING PRINCIPLE

The School District has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk and outlines disclosure requirements.

The School District has implemented GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*. The Technical Bulletin clarifies the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple employer pension and other postemployment benefit plans.

The implementation of GASB Technical Bulletin 2004-2 had the following effect on fund balances previously reported:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
Fund balance at June 30, 2004 as previously reported	\$ 612,967	536,326
Implementation of GASB Technical Bulletin 2004-2	<u>(33,884)</u>	<u>(7,348)</u>
Fund balance at June 30, 2004, restated	\$ <u>579,083</u>	<u>528,978</u>

3. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$1,954,010 of the School District's bank balance of \$2,054,010 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

4. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2005, the School District recorded income tax revenue of \$429,671 in the entity-wide financials and a receivable as of June 30, 2005 of \$180,287.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last update was completed for tax year 2000. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Personal property taxes are levied after April 1 on the value as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

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

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$39,000 in the General Fund, \$800 in the Special Revenue Funds and \$7,400 in the Debt Service Fund. The assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 39,903,370	80.75%	40,081,270	79.47%
Tangible Personal Property	<u>9,511,843</u>	19.25%	<u>10,351,463</u>	20.53%
Total Assessed Value	\$ <u>49,415,213</u>	100.00%	<u>50,432,733</u>	100.00%

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance 7/1/04	Additions	Disposals	Balance 6/30/05
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,710,437	-	-	13,710,437
Equipment and furniture	1,018,673	65,685	-	1,084,358
Subtotal	<u>14,729,110</u>	<u>65,685</u>	<u>-</u>	<u>14,794,795</u>
Totals at historical cost	<u>15,158,042</u>	<u>65,685</u>	<u>-</u>	<u>15,223,727</u>
Less accumulated depreciation:				
Buildings and improvements	548,418	274,209	-	822,627
Equipment and furniture	581,111	187,728	-	768,839
Total accumulated depreciation	<u>1,129,529</u>	<u>461,937</u>	<u>-</u>	<u>1,591,466</u>
Capital assets, net	<u>\$ 14,028,513</u>	<u>(396,252)</u>	<u>-</u>	<u>13,632,261</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 389,510
Special	1,434
Support services:	
Pupil	369
Instructional staff	13,913
Administration	1,854
Fiscal	335
Operation and maintenance of plant	6,650
Food services	<u>47,872</u>
Total depreciation expense	<u>\$ 461,937</u>

7. INTERFUND TRANSACTIONS

During the year ended June 30, 2005, the School District made the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 10,000	66,893
Non-major governmental funds	<u>66,893</u>	<u>10,000</u>
	\$ <u><u>76,893</u></u>	<u><u>76,893</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

On the fund financial statements, the General Fund has receivables of \$28,679 due from non-major governmental funds. These interfund loans were made to provide operating capital.

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2005, the School District participated in the Butler County Health Trust (the Trust), a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

9. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were approximately \$112,000, \$100,000, and \$98,000 respectively; 34% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is recorded as a liability.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2005, 2004, and 2003 were approximately \$436,000, \$444,000, and \$423,000, respectively; 82% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is recorded as a liability within the respective funds.

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2005 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

10. POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2004, the board allocated employer contributions equal to 1.00% of covered payroll to the Health Care Reserve Fund. For the School District, this amount was approximately \$31,000 during fiscal year 2005. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS were \$268.7 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$24,500.

The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2004 were \$223.4 million and the target level was \$335.2 million. At June 30, 2004, SERS' net assets available for payment of health care benefits was \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, was approximately \$39,000 during the 2005 fiscal year.

11. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, payment is made for 25% of accrued, but unused sick leave up to a maximum of 50 days for classified employees and 45 days for teachers and administrators.

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2005 were as follows:

	Principal Outstanding <u>7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	Principal Outstanding <u>6/30/05</u>	Due Within <u>One Year</u>
Energy conservation notes - 1994	\$ 7,000	-	(7,000)	-	-
General obligation bonds	2,018,000	-	(75,000)	1,943,000	80,000
Capital leases	11,079	-	(11,079)	-	-
Lease-purchase agreement	306,000	-	(12,000)	294,000	16,000
Compensated absences	392,917	13,125	(99,648)	306,394	46,096
	\$ <u>2,734,996</u>	<u>13,125</u>	<u>(204,727)</u>	<u>2,543,394</u>	<u>142,096</u>

House Bill 264, Energy Conversation Notes - The School District issued notes in 1994 to fund energy conserving renovation projects. The notes matured on December 1, 2004.

General Obligation Bonds - On July 14, 2000, the School District issued voted general obligations bonds for the purpose of construction of a new building and improvements to the junior/senior high school building. The bonds were issued at an interest rate of 4.55% for a twenty-two year period with final maturity at December 1, 2022. The bonds will be retired from the debt service fund.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$2,595,946 with an unvoted debt margin of \$50,433 at June 30, 2005.

Principal and interest requirements to retire general obligation bonds at June 30, 2005 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	80,000	96,510	176,510
2007		85,000	92,710	177,710
2008		90,000	88,630	178,630
2009		95,000	84,265	179,265
2010		100,000	79,610	179,610
2011-2015		258,000	678,300	936,300
2016-2020		705,000	271,880	976,880
2021-2023		<u>530,000</u>	<u>59,640</u>	<u>589,640</u>
Total	\$	<u>1,943,000</u>	<u>1,451,545</u>	<u>3,394,545</u>

Principal and interest requirements to retire the lease-purchase agreement at June 30, 2005 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	16,000	10,367	26,367
2007		17,000	9,736	26,736
2008		17,000	9,029	26,029
2009		18,000	8,247	26,247
2010		19,000	7,381	26,381
2011-2015		105,000	33,735	138,735
2016-2019		<u>102,000</u>	<u>11,229</u>	<u>113,229</u>
Total	\$	<u>294,000</u>	<u>89,724</u>	<u>383,724</u>

13. INSURANCE PURCHASING POOL

Butler County Health Plan

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

14. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), 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 districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

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

15. OPERATING LEASE

During the year ended June 30, 2005, the School District entered into an operating lease for office equipment. Lease expenditures under this lease were \$14,310 during the year ended June 30, 2005. Future minimum lease payments for this lease are as follows:

	Year Ending <u>June 30</u>	
	2006	\$ 19,080
	2007	19,080
	2008	<u>4,770</u>
Total lease payments		\$ <u>42,930</u>

16. CONTINGENCIES

Litigation

The School District is not party to legal proceedings.

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

17. REQUIRED SET-ASIDES

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

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

		<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2004	\$	(83,943)	-
Current year set-aside requirement		122,291	122,291
Less qualifying disbursements and offsets		<u>(108,995)</u>	<u>(190,235)</u>
Total		<u>(70,647)</u>	<u>(67,944)</u>
Balance carried to FY2006		<u>(70,647)</u>	<u>-</u>

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

18. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding system is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	1,322,000	1,362,462	1,362,462	-
Tuition and fees	23,350	33,336	33,336	-
Interest	14,000	35,800	36,732	932
Intergovernmental	4,005,000	4,190,205	4,190,215	10
Other local revenues	-	8,552	8,552	-
Total revenues	5,364,350	5,630,355	5,631,297	942
Expenditures:				
Current:				
Instruction:				
Regular	2,661,371	2,709,742	2,555,079	154,663
Special education	120,903	166,253	163,251	3,002
Other instruction	33,000	33,000	7,218	25,782
Support services:				
Pupil	174,252	176,072	151,001	25,071
Instructional staff	132,688	140,388	136,113	4,275
Board of Education	45,788	51,663	40,339	11,324
Administration	798,384	937,884	906,333	31,551
Fiscal	114,531	182,494	181,919	575
Business	12,811	16,111	16,048	63
Operation and maintenance of plant	616,609	695,166	663,592	31,574
Pupil transportation	337,188	373,988	365,074	8,914
Non-instructional services:				
Extracurricular activities	35,195	118,245	117,977	268
Total expenditures	5,082,720	5,601,006	5,303,944	297,062
Excess of revenues over expenditures	281,630	29,349	327,353	(296,120)
Other financing sources (uses):				
Transfers in	-	10,000	10,000	-
Transfers out	(33,136)	(66,948)	(66,893)	55
Advances in	-	26,362	26,362	-
Advances out	-	(27,000)	(26,904)	96
Other uses	(1,320,962)	(1,081,286)	-	1,081,286
Other sources	-	37,055	37,055	-
Total other financing sources (uses):	(1,354,098)	(1,101,817)	(20,380)	1,081,437
Net change in fund balance	(1,072,468)	(1,072,468)	306,973	785,317
Fund balance, beginning of year	1,070,468	1,070,468	1,070,468	
Prior year encumbrances appropriated	2,000	2,000	2,000	
Fund balance, end of year	-	-	1,379,441	

See accompanying notes to required supplemental information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2005

Note A Budgetary Basis of Accounting

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

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

		<u>General</u>
Net change in fund balance - GAAP Basis	\$	338,679
Increase / (decrease):		
Due to revenues		(57,167)
Due to expenditures		649,750
Due to other sources (uses)		36,513
Due to encumbrances		<u>(660,802)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$	<u><u>306,973</u></u>



**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 Members of the Board of Education
New Miami Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 18, 2005. As described in Note 2 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*. 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

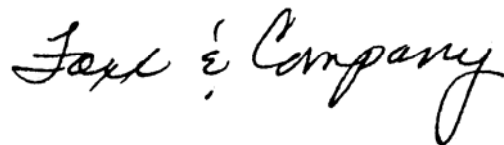
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 we must report under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated November 18, 2005.

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

A handwritten signature in cursive script that reads "Jaxx & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Cincinnati, Ohio
November 18, 2005



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

The Honorable Members of the Board of Education
New Miami Local School District

Compliance

We have audited the compliance of the New Miami Local School District, Butler County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's 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 are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

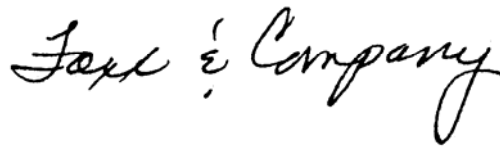
In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

A handwritten signature in cursive script that reads "Jaxx & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Cincinnati, Ohio
November 18, 2005

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Fiscal Year Ended June 30, 2005**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Receipts	Federal NonCash Receipts	Federal Expenditures	Federal Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through State Department of Education:						
School Breakfast Program	10.553	05PU	\$ 39,238	\$ -	\$ 39,238	\$ -
National School Lunch Program	10.555	LLP5	163,022	-	163,022	
School Snack Program	10.559	LLP5	<u>-</u>	<u>7,997</u>	<u>-</u>	<u>7,997</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>202,260</u>	<u>7,997</u>	<u>202,260</u>	<u>7,997</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through State Department of Education:						
Title I Grants to Local Educational Agencies	84.010	C1S1 04	141,189		130,565	
Special Education Cluster:						
Special Education - Grants to States	84.027	6BSF	191,333		183,923	
Special Education - Preschool Grants	84.173	PGS1	<u>2,388</u>		<u>2,388</u>	
			<u>193,721</u>		<u>186,311</u>	
Safe & Drug-Free Schools and Communities - State Grants	84.186	DRS1	4,195		4,195	
Twenty-First Century Community Learning Centers	84.287	T1S1	177,117		171,759	
Innovative Education Program Strategies	84.298	C2S1	7,409		7,408	
Improving Teacher Quality	84.367		46,954		47,694	
Comprehensive School Reform Demonstration	84.332	RFS1	62,096		82,652	
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>632,679</u>		<u>630,585</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$ 834,940</u>	<u>\$ 7,997</u>	<u>\$ 832,845</u>	<u>\$ 7,997</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
fiscal year ended June 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and consumed. At June 30, 2005, the District had no significant food commodities in inventory.

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued	Unqualified	
	Yes	No
Internal control over financial reporting:		
Material weakness(es) identified?		X
Reportable condition(s) identified that are not considered to be material weakness(es)?		X
Noncompliance material to financial statements noted?		X

Federal Awards

Material weakness(es) identified?		X
Reportable condition(s) identified that are not considered to be material weakness(es)?		X

Type of auditor's report issued on compliance for major programs:	Unqualified	
	Yes	No
Any audit findings disclosed that are required to be reported in accordance Circular A-133, Subpart __.510(a)?		X

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2005**

Section II - Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

**NEW MIAMI LOCAL SCHOOL DISTRICT
BUTLER COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND
QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS
for the year ended June 30, 2005**

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. Additionally, no reportable conditions or material weaknesses with respect to internal controls over compliance with requirements that could have a direct and material effect on a major federal program were reported in the prior year.



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

NEW MIAMI LOCAL SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 3, 2006**