



**Auditor of State
Betty Montgomery**

MILLCREEK – WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Millcreek-West Unity Local School District
Williams County
113 S. Defiance Street, P.O. Box 505
West Unity, Ohio 43570-0505

To the Board of Education

We have audited the accompanying general-purpose financial statements of Millcreek-West Unity Local School District, Williams County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Millcreek-West Unity Local School District, Williams County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

December 10, 2003

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**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents		\$90,674	\$367,356	\$4,580
Receivables:				
Taxes	\$1,586,560		76,582	
Accounts	16,359			
Intergovernmental		52,296		
Accrued Interest	5,724	349	4,953	
Interfund Receivable	6,000		20,000	
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	217,809			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	\$1,832,452	\$143,319	\$468,891	\$4,580

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$36,874	\$53,871			\$553,355
				1,663,142
9,491	309			26,159
727				53,023
	347			11,373
				26,000
7,510				7,510
				217,809
57,895 (43,028)		\$6,186,851		6,244,746 (43,028)
			\$372,309	372,309
			532,454	532,454
<u>\$69,469</u>	<u>\$54,527</u>	<u>\$6,186,851</u>	<u>\$904,763</u>	<u>\$9,664,852</u>

(Continued)

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$80,335	\$9,681		
Accrued Wages and Benefits	487,758	10,298		
Compensated Absences Payable	24,856			
Interfund Payable	20,000	5,000		
Intergovernmental Payable	68,700	654		
Deferred Revenue	1,501,339	36,318	\$74,247	
Undistributed Monies				
Due to Students				
Capital Leases Payable				
Energy Conservation Loan				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,182,988	61,951	74,247	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	38,946	45,875		
Reserved for Debt Service Principal			372,309	
Reserved for Advances	6,000		20,000	
Reserved for Contributions				
Reserved for Property Taxes	85,221		2,335	
Reserved for Textbooks and Instructional Materials	160,011			
Reserved for Capital Acquisitions	60,799			
Unreserved, Undesignated	(701,513)	35,493		\$4,580
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	(350,536)	81,368	394,644	4,580
Total Liabilities, Fund Equity and Other Credits	<u>\$1,832,452</u>	<u>\$143,319</u>	<u>\$468,891</u>	<u>\$4,580</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$726			\$90,742
\$16,277				514,333
6,706			\$468,516	500,078
	1,000			26,000
9,550			31,526	110,430
				1,611,904
	3,427			3,427
	20,215			20,215
			19,721	19,721
			45,000	45,000
			340,000	340,000
32,533	25,368		904,763	3,281,850
		\$6,186,851		6,186,851
36,936				36,936
				84,821
				372,309
				26,000
	6,741			6,741
				87,556
				160,011
				60,799
	22,418			(639,022)
36,936	29,159	6,186,851		6,383,002
\$69,469	\$54,527	\$6,186,851	\$904,763	\$9,664,852

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$3,154,837	\$183,091
Interest	11,907	433
Tuition and Fees	596	
Rent	190	
Extracurricular Activities		71,740
Gifts and Donations	15	10,665
Customer Services		200
Property and Other Local Taxes	1,636,981	
Miscellaneous	26,928	
Total Revenues	<u>4,831,454</u>	<u>266,129</u>
Expenditures:		
Instruction:		
Regular	2,329,855	52,879
Special	369,399	142,064
Vocational	183,540	
Other	19,633	
Support services:		
Pupils	151,176	2,997
Instructional Staff	184,724	9,429
Board of Education	28,499	
Administration	522,190	15,844
Fiscal	134,125	1,100
Operation and Maintenance of Plant	459,828	
Pupil Transportation	245,193	
Central	48,810	
Non-Instructional Services	17,526	
Extracurricular activities	146,997	103,051
Capital Outlay		2,950
Debt Service		
Debt Service - Principal	4,102	
Debt Service - Interest	1,593	
Total Expenditures	<u>4,847,190</u>	<u>330,314</u>
Excess of Revenues Under Expenditures	<u>(15,736)</u>	<u>(64,185)</u>
Other Financing Sources (Uses)		
Operating Transfer In		1,664
Proceeds from Sale of Fixed Assets	680	
Other Financing Sources	186	
Operating Transfers Out	<u>(30,445)</u>	
Total Other Financing Sources (Uses)	<u>(29,579)</u>	<u>1,664</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(45,315)	(62,521)
Fund Balance at Beginning of Year	<u>(305,221)</u>	<u>143,889</u>
Fund Balance at End of Year	<u>(\$350,536)</u>	<u>\$81,368</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$8,542			\$3,346,470
8,496		\$125	20,961
			596
			190
			71,740
		7,100	17,780
			200
78,728			1,715,709
		200	27,128
<u>95,766</u>		<u>7,425</u>	<u>5,200,774</u>
	\$19,698		2,402,432
			511,463
			183,540
			19,633
			154,173
			194,153
			28,499
		8,300	546,334
2,758			137,983
	8,108		467,936
			245,193
			48,810
			17,526
			250,048
	3,324		6,274
103,000			107,102
31,132			32,725
<u>136,890</u>	<u>31,130</u>	<u>8,300</u>	<u>5,353,824</u>
<u>(41,124)</u>	<u>(31,130)</u>	<u>(875)</u>	<u>(153,050)</u>
20,445			22,109
			680
			186
		(1,664)	(32,109)
<u>20,445</u>		<u>(1,664)</u>	<u>(9,134)</u>
(20,679)	(31,130)	(2,539)	(162,184)
415,323	35,710	23,323	313,024
<u>\$394,644</u>	<u>\$4,580</u>	<u>\$20,784</u>	<u>\$150,840</u>

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$3,411,756	\$3,154,838	(\$256,918)
Interest	17,441	19,015	1,574
Tuition and Fees	6,540	596	(5,944)
Rent	174	190	16
Extracurricular Activities			
Gifts and Donations	13	15	2
Customer Services	6,105		(6,105)
Property and Other Local Taxes	1,428,126	1,637,697	209,571
Miscellaneous	21,801	11,986	(9,815)
Total Revenues	4,891,956	4,824,337	(67,619)
Expenditures:			
Current:			
Instruction:			
Regular	2,354,965	2,349,153	5,812
Special	420,731	419,687	1,044
Vocational	182,918	182,127	791
Other	19,635	19,634	1
Support services:			
Pupils	147,052	142,452	4,600
Instructional Staff	139,109	129,542	9,567
Board of Education	31,280	28,575	2,705
Administration	516,607	509,204	7,403
Fiscal	137,637	134,814	2,823
Operation and Maintenance of Plant	484,564	472,280	12,284
Pupil Transportation	245,274	243,484	1,790
Central	48,900	48,810	90
Non-Instructional Services	16,378	16,360	18
Extracurricular activities	146,066	143,818	2,248
Capital Outlay			
Debt Service:			
Principal			
Interest			
Total Expenditures	4,891,116	4,839,940	51,176
Excess of Revenues Over (Under) Expenditures	840	(15,603)	(16,443)
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	593	680	87
Refund of Prior Year Expenditures	227		(227)
Advances In	7,412	13,500	6,088
Other Financing Sources	153	186	33
Operating Transfers Out	(30,445)	(30,445)	
Advances Out	(17,000)	(17,000)	
Total Other Financing Sources (Uses)	(39,060)	(33,079)	5,981
Excess of Revenue and Other Financing Sources			
Under Expenditures and Other Financing Uses	(38,220)	(48,682)	(10,462)
Fund Balances at Beginning of Year	105,568	105,568	
Prior Year Encumbrances Appropriated	46,642	46,642	
Fund Balance at End of Year	\$113,990	\$103,528	(\$10,462)

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$239,661	\$215,539	(\$24,122)	\$9,758	\$8,542	(\$1,216)
843	714	(129)	16,157	15,463	(694)
109,553	71,740	(37,813)			
12,413	10,665	(1,748)			
236	200	(36)			
			90,147	78,814	(11,333)
<u>362,706</u>	<u>298,858</u>	<u>(63,848)</u>	<u>116,062</u>	<u>102,819</u>	<u>(13,243)</u>
89,381	67,397	21,984			
169,662	133,606	36,056			
3,000	2,997	3			
9,153	9,429	(276)			
13,274	17,895	(4,621)			
1,100	1,100		3,976	2,758	1,218
111,301	119,966	(8,665)			
5,974	3,275	2,699			
			103,000	103,000	
			33,205	31,132	2,073
<u>402,845</u>	<u>355,665</u>	<u>47,180</u>	<u>140,181</u>	<u>136,890</u>	<u>3,291</u>
<u>(40,139)</u>	<u>(56,807)</u>	<u>(16,668)</u>	<u>(24,119)</u>	<u>(34,071)</u>	<u>(9,952)</u>
1,964	1,664	(300)	23,528	20,445	(3,083)
162		(162)			
4,132	3,500	(632)			
<u>6,258</u>	<u>5,164</u>	<u>(1,094)</u>	<u>23,528</u>	<u>20,445</u>	<u>(3,083)</u>
(33,881)	(51,643)	(17,762)	(591)	(13,626)	(13,035)
74,339	74,339		380,982	380,982	
22,101	22,101				
<u>\$62,559</u>	<u>\$44,797</u>	<u>(\$17,762)</u>	<u>\$380,391</u>	<u>\$367,356</u>	<u>(\$13,035)</u>

(Continued)

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

(Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$10,000		(\$10,000)
Interest	\$1,808		(1,808)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	11,808		(11,808)
Expenditures:			
Current:			
Instruction:			
Regular	28,623	\$19,698	8,925
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	9,916	8,108	1,808
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	5,393	3,324	2,069
Debt Service:			
Principal			
Interest			
Total Expenditures	43,932	31,130	12,802
Excess of Revenues Over (Under) Expenditures	(32,124)	(31,130)	994
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenue and Other Financing Sources			
Under Expenditures and Other Financing Uses	(32,124)	(31,130)	994
Fund Balances at Beginning of Year	25,472	25,472	
Prior Year Encumbrances Appropriated	10,239	10,239	
Fund Balance at End of Year	\$3,587	\$4,581	\$994

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$244	\$238	(\$6)	\$3,671,175	\$3,378,919	(\$292,256)
			36,493	35,430	(1,063)
			6,540	596	(5,944)
			174	190	16
7,482	7,100	(382)	109,553	71,740	(37,813)
			19,908	17,780	(2,128)
			6,341	200	(6,141)
			1,518,273	1,716,511	198,238
			21,801	11,986	(9,815)
<u>7,726</u>	<u>7,338</u>	<u>(388)</u>	<u>5,390,258</u>	<u>5,233,352</u>	<u>(156,906)</u>
			2,472,969	2,436,248	36,721
			590,393	553,293	37,100
			182,918	182,127	791
			19,635	19,634	1
			150,052	145,449	4,603
			148,262	138,971	9,291
			31,280	28,575	2,705
8,113	8,300	(187)	537,994	535,399	2,595
			142,713	138,672	4,041
			494,480	480,388	14,092
			245,274	243,484	1,790
			48,900	48,810	90
			16,378	16,360	18
			257,367	263,784	(6,417)
			11,367	6,599	4,768
			103,000	103,000	
			33,205	31,132	2,073
<u>8,113</u>	<u>8,300</u>	<u>(187)</u>	<u>5,486,187</u>	<u>5,371,925</u>	<u>114,262</u>
<u>(387)</u>	<u>(962)</u>	<u>(575)</u>	<u>(95,929)</u>	<u>(138,573)</u>	<u>(42,644)</u>
			25,492	22,109	(3,383)
			593	680	87
			389		(389)
			11,544	17,000	5,456
			153	186	33
(1,664)	(1,664)		(32,109)	(32,109)	
			(17,000)	(17,000)	
<u>(1,664)</u>	<u>(1,664)</u>		<u>(10,938)</u>	<u>(9,134)</u>	<u>1,804</u>
(2,051)	(2,626)	(575)	(106,867)	(147,707)	(40,840)
23,082	23,082		609,443	609,443	
			78,982	78,982	
<u>\$21,031</u>	<u>\$20,456</u>	<u>(\$575)</u>	<u>\$581,558</u>	<u>\$540,718</u>	<u>(\$40,840)</u>

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$179,805		\$179,805
Interest		\$303	303
Total Operating Revenues	<u>179,805</u>	<u>303</u>	<u>180,108</u>
Operating Expenses			
Salaries	83,433		83,433
Fringe Benefits	48,684		48,684
Purchased Services	4,041		4,041
Materials and Supplies	130,821		130,821
Depreciation	2,509		2,509
Other	8,931	400	9,331
Total Operating Expenses	<u>278,419</u>	<u>400</u>	<u>278,819</u>
Operating Loss	<u>(98,614)</u>	<u>(97)</u>	<u>(98,711)</u>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	25,463		25,463
Federal and State Subsidies	52,220		52,220
Amount Contributed From Other Funds	4,339		4,339
Total Non-Operating Revenues and Expenses	<u>82,022</u>		<u>82,022</u>
Loss Before Operating Transfers	(16,592)	(97)	(16,689)
Operating Transfers-In	10,000		10,000
Net Loss	(6,592)	(97)	(6,689)
Retained Earnings/Fund Balances at Beginning of Year	43,528	8,472	52,000
Retained Earnings/Fund Balances at End of Year	<u>\$36,936</u>	<u>\$8,375</u>	<u>\$45,311</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$179,857		\$179,857
Cash Payments to Suppliers for Goods and Services	(109,593)		(109,593)
Cash Payments for Contract Services	(4,041)		(4,041)
Cash Payments for Employee Services	(88,858)		(88,858)
Cash Payments for Employee Benefits	(46,362)		(46,362)
Other Cash Payments	(8,931)	(\$400)	(9,331)
Net Cash Used by Operating Activities	<u>(77,928)</u>	<u>(400)</u>	<u>(78,328)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	51,493		51,493
Advances In	5,000		5,000
Operating Transfer In	10,000		10,000
Advances Out	(5,000)		(5,000)
Net Cash Provided by Noncapital Financing Activities	<u>61,493</u>		<u>61,493</u>
Cash Flows from Investing Activities:			
Interest Received		373	373
Net Cash Provided by Investing Activities		<u>373</u>	<u>373</u>
Net Decrease in Cash and Cash Equivalents	(16,435)	(27)	(16,462)
Cash and Cash Equivalents at Beginning of Year	<u>53,309</u>	<u>6,318</u>	<u>59,627</u>
Cash and Cash Equivalents at End of Year	<u>\$36,874</u>	<u>\$6,291</u>	<u>\$43,165</u>

(Continued)

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2003
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	(\$98,614)	(\$97)	(\$98,711)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:			
Depreciation	2,509		2,509
Donated Commodities Used During the Year	25,463		25,463
Adjustments to Capital Outlay	(4,839)		(4,839)
Adjustments to Contributed Capital	4,339		4,339
Nonexpendable Trust Interest		(373)	(373)
(Increase) Decrease in Assets:			
Accounts Receivable	52		52
Accrued Interest		70	70
Material and Supplies Inventory	2,665		2,665
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(3,608)		(3,608)
Intergovernmental Payable	1,501		1,501
Deferred Revenue	(6,400)		(6,400)
Accrued Wages and Benefits	(996)		(996)
Total Adjustments	20,686	(303)	20,383
Net Cash Used by Operating Activities	(\$77,928)	(\$400)	(\$78,328)

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:

Cash and Cash Equivalents - Trust and Agency Funds	\$53,871
Less: Expendable Trust Funds	(20,454)
Less: Agency Funds	(25,259)
Cash and Cash Equivalents - Nonexpendable Trust Funds	\$8,158

Non-cash Investing Capital and Financing Activities:

The Food Service fund consumed donated commodities with a value of \$25,463. Use of these commodities are reflected as an operating expense.

Contributions of Capital Assets from Governmental Source	\$4,339
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The notes to the general-purpose financial statements are an integral part of this statement.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Millcreek-West Unity Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected five-member Board of Education and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's instructional and support facility.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with seven organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. The enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed by the enterprise fund and nonexpendable trust fund.

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 year-end.

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

Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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 on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Nonexpendable Trust Funds).

2. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These may include Expendable Trust Funds and Nonexpendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2003 follows:

	Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ (48,682)	\$ (51,643)	\$ (13,626)	\$ (31,130)	\$ (2,626)
Net Adjustment for:					
Revenue Accruals	7,118	(32,729)	(7,053)	-	87
Expenditure Accruals	(121,531)	(20,525)	-	-	-
Other Sources/Uses	3,500	(3,500)	-	-	-
Encumbrances	114,280	45,876	-	-	-
GAAP Basis	\$ (45,315)	\$ (62,521)	\$ (20,679)	\$ (31,130)	\$ (2,539)

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund, Special Revenue fund, type, Debt Service fund type, Expendable Trust fund, and Non-Expendable fund during fiscal year 2003 amounted to \$11,907, \$433, \$8,496, \$125, and \$303.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that they are unavailable for appropriation. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale which is expended when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. 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. Interest incurred during the construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for asset in General Fixed Assets Account Group.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to ten years.

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program

Non-Reimbursable Grants

General Fund
Equity Fund Grant

Special Revenue Funds
Educational Management Information Systems
ONENET Ohio
Professional Technology Development
Textbook/Instructional Materials Subsidy
Eisenhower Grant
Title VI-B Flow Through
Title I
Title VI
Drug Free Grant
Preschool Disability Grant
E-Rate Grant
Title VI-R
Improving Teacher Quality
Title II-D

Capital Projects Funds
School Net Plus Grant
Technology Equity

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Funds

Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program

Food Distribution Program

I. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loan receivables and interfund loan payables.

J. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets are amounts required by statute to be set-aside by the District for the purchase of textbooks and instructional materials and capital acquisition. See Note 16 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

K. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, debt service principal, advances, contributions, property taxes, textbook and instructional materials, and capital acquisition.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

L. Concentration of Credit Risk

Financial instruments, which potentially subject the District to concentrations of credit risk, consist primarily of taxes receivable.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

M. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2003.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

O. 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.

P. Pass-Through Grants

The Eisenhower, Title VI-B, and the Handicapped Preschool Special Revenue Funds are pass-through grants that the Northwest Ohio Education Service Center is the primary recipient. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

Q. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

3. PRIOR PERIOD ADJUSTMENT

The beginning retained earnings of the Food Service fund (Enterprise) has been restated due to prior depreciation not being recognized. This depreciation required an adjustment to the June 30, 2002 retained earnings in the following fund type in the amount noted:

<u>Enterprise Funds</u>	
Retained Earnings at June 30, 2002	\$ 48,539
Depreciation Adjustment	<u>(5,011)</u>
Restated Retained Earnings at July 1, 2002	<u>\$ 43,528</u>
Net Income for the year ended June 30, 2002	\$ 10,527
Prior Period Adjustment:	
Depreciation Expense	<u>(5,011)</u>
Restated Net Income for the year ended June 30, 2002	<u>\$ 5,516</u>

4. CASH AND CASH EQUIVALENTS

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 District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education 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 monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 may be deposited or invested in the following securities:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited 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 instrumentality's;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR); and
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse purchase 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash On Hand

At year-end, the District had \$100 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits

At year-end, the carrying amount of the District's deposits was \$771,064 and the bank balance was \$871,901. Of the bank balance:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. \$135,280 was covered by Federal Depository Insurance; and
2. \$736,621 was collateralized by securities specifically pledged by the financial institution in the name of the District.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents on the combined financial statements and the classification of deposits presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents
GASB Statement 9	\$ 771,164
Cash on Hand	(100)
GASB Statement 3	\$ 771,064

5. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2003. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2003.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	\$ 40,276,280
Commercial/Industrial	5,879,630
Public Utility	2,566,850
General Personal Property	7,808,040
Total valuation	\$ 56,530,800

6. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 06/30/02	Additions	Disposals	Balance at 06/30/03
Land and Improvements	\$ 21,419	\$ 139,825	\$ -	\$ 161,244
Buildings and Improvements	4,046,882	16,842	-	4,063,724
Furniture and Equipment	1,102,810	29,151	25,473	1,106,488
Vehicles	434,845	-	-	434,845
Text and Library Books	418,499	-	-	418,499
Infrastructure	2,051	-	-	2,051
Totals	\$ 6,026,506	\$ 185,818	\$ 25,473	\$ 6,186,851

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 06/30/03
Furniture and Equipment	\$ 57,895
Less: Accumulated Depreciation	(43,028)
Totals	\$ 14,867

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized lease for the acquisition of telecommunications equipment. The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2003 fiscal year totaled \$4,102. This amount is reflected as debt service principal retirement in the General Revenue Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2003:

<u>General Fixed Assets</u>	
Telecommunications equipment, Carrying Value	<u>\$ 19,721</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

<u>Year Ending June 30,</u>	<u>Telecommunications Equipment</u>
2004	\$ 5,695
2005	5,694
2006	5,695
2007	<u>5,692</u>
Total Future Minimum Lease Payments	22,776
Less: Amount Representing Interest	<u>(3,055)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 19,721</u>

8. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Elementary School Building	\$ 425,000	\$ -	\$ 85,000	\$ 340,000
Energy Conservation Loan	63,000	-	18,000	45,000
Capital Lease	23,823	-	4,102	19,721
Pension Obligation	25,302	6,224	-	31,526
Compensated Absences	420,605	47,911	-	468,516
Total	<u>\$ 957,730</u>	<u>\$ 54,135</u>	<u>\$ 107,102</u>	<u>\$ 904,763</u>

Debt outstanding at June 30, 2003 consisted of General Obligation Bonds totaling \$340,000 and an Energy Conservation Note totaling \$45,000 (interest rates at June 30, 2003 were 7.50 percent and 3.37 percent for the bonds and note, respectively). The bonds were issued in May 1986 and will mature in December 2006. The note was issued in August 1995 and will mature in August 2005.

Total expenditures for interest for the above debt for the period ended June 30, 2003 was \$31,132.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2004	\$ 103,000	\$ 23,586	\$ 126,586
2005	103,000	16,576	119,576
2006	94,000	9,690	103,690
2007	85,000	3,188	88,188
Total	<u>\$ 385,000</u>	<u>\$ 53,040</u>	<u>\$ 438,040</u>

9. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 35 days. For employees with 10-19 years of service, the maximum is 45 days; for employees with 20 or more years of service, the maximum is 55 days.

At June 30, 2003 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$24,856 and \$468,516, respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was \$6,706.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in 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 issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$264,987, \$260,432, and \$266,314, respectively; 86 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$55,324 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member 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 financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$41,497, \$35,498, and \$23,095, respectively; 54 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$48,780 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account group.

11. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. 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 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

For the District, the amount to fund health care benefits, including surcharge, equaled \$64,905 during the 2003 fiscal year.

12. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool. The District maintains liability insurance with the Plan. Each participant enters into an individual agreement

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply services, and adult education. Segment information for the year ended June 30, 2003 was as follows:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$ 152,001	\$ 27,804	\$ -	\$ 179,805
Depreciation Expense	2,509	-	-	2,509
Operating Income (Loss)	(98,667)	53	-	(98,614)
Donated Commodities	25,463	-	-	25,463
Grants	52,220	-	-	52,220
Amount Contributed From Other Funds	4,339	-	-	4,339
Transfer In	10,000	-	-	10,000
Net Income (Loss)	(6,645)	53	-	(6,592)
Net Working Capital	(18,515)	40,218	366	22,069
Total Assets	28,885	40,218	366	69,469
Total Liabilities	32,533	-	-	32,533
Total Equity	(3,648)	40,218	366	36,936

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were \$56,186. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. The District made no payments to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

15. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program includes health, dental, life and vision insurance plans. The health and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contract with any third-party claims administrator or insurance company. The insurance group is governed by a council of two representatives from each of the four counties, in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2003, the District contributed a total of \$526,653 for all four plans. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program. In 2003, the District contributed \$585.

C. Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under § 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen-member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative, which establishes agreements between the Plan and its members. In fiscal year 2003, the District contributed a total of \$7,738 to the Plan's administrator. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and 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.

	Textbooks	Capital Acquisition	Totals
Set-aside Balance as of June 30, 2002	\$ 92,719	\$ 42,305	\$ 135,024
Current Year Set-aside Requirement	105,161	105,161	210,322
Qualifying Disbursements	(37,869)	(86,667)	(124,536)
Total	<u>\$ 160,011</u>	<u>\$ 60,799</u>	<u>\$ 220,810</u>
Balance Carried Forward to FY 2004	<u>\$ 160,011</u>	<u>\$ 60,799</u>	<u>\$ 220,810</u>
Total Restricted Cash Assets	<u>\$ 159,700</u>	<u>\$ 58,109</u>	<u>\$ 217,809</u>

Contrary to Ohio Revised Code §§ 3315.17 and 3315.18, the District did not have sufficient cash assets in the General fund to completely fund the reserve requirements.

17. INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2003 were as follows:

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

	Transfers In	Transfers Out
General Fund	\$ -	\$ 30,445
Special Revenue Fund	1,664	-
Debt Service	20,445	-
Expendable Trust	-	1,664
Enterprise Fund	10,000	-
Total All Funds	\$ 32,109	\$ 32,109

Interfund balances at June 30, 2003 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General	\$ 6,000	\$ 20,000
Special Revenue	-	5,000
Debt Service	20,000	-
Agency	-	1,000
Total All Funds	\$ 26,000	\$ 26,000

18. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities
For the Period Ending June 30, 2003

	Balance at 06/30/02	Change	Balance at 06/30/03
Assets	\$ 22,249	\$ 3,118	\$ 25,367
Liabilities	\$ 22,249	\$ 3,118	\$ 25,367

19. ACCOUNTABILITY

At June 30, 2003, the General, Miscellaneous Federal Grants, Permanent Improvement, and Food Service Funds had deficit fund balances of \$350,536, \$1,701, \$9,455 and \$5,515, which were created by the application of generally accepted accounting principles.

20. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...."

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

21. SUBSEQUENT EVENTS

A 7.9 mill emergency general operating levy failed in the November 2003 election. As a result of the financial distress due to the failed levy, the District is implementing the following budget cuts: staff reductions and elimination of extracurricular activities. These planned cuts may be tabled if the local community succeeds in collecting adequate donations to fund the District through fiscal year 2004. The District plans on submitting a new emergency general operating levy and/or income tax proposal in the March 2004 primary election.

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**Auditor of State
Betty Montgomery**

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

Millcreek-West Unity Local School District
Williams County
113 S. Defiance Street, P.O. Box 505
West Unity, Ohio 43570-0505

To the Board of Education

We have audited the financial statements of Millcreek-West Unity Local School District, Williams County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 10, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as items 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 2003.

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



Betty Montgomery
Auditor of State

December 10, 2003

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

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

FINDING NUMBER 2003-001

Reportable Condition

Amended Certificates of Estimated Resources

Sound accounting practices provide that budgeted revenues posted to the District ledgers be based on amounts formally reviewed and approved by the Board. The General, Special Revenue, Capital Projects, and Non-Expendable Trust fund types did not have estimated revenues properly posted to the District's ledgers to reflect the amounts on the Amended Certificates formally approved by the Budget Commission. This may cause appropriations to exceed estimated resources. We recommend that estimated revenue amounts posted to the District's ledgers be reconciled with the amounts officially approved on the Amended Certificates of Estimated Resources.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10186-001	Section 8 School Improvement Bonds – Interest not posted to the proper fund	Yes	
2002-10186-002	Ohio Revised Code § 5705.41 (D) – Improper encumbering	No	Partially corrected. Reported in the management letter



**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

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT

WILLIAMS 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
JANUARY 22, 2004**