

***MILFORD EXEMPTED  
VILLAGE SCHOOL DISTRICT***

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**CLERMONT COUNTY, OHIO**

**SINGLE AUDIT**

**For the Year Ended June 30, 2005**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







**Auditor of State  
Betty Montgomery**

Board of Education  
Milford Exempted Village School District  
745 Center Street, Suite 300  
Milford, Ohio 45150

We have reviewed the *Independent Auditor's Report* of the Milford Exempted Village School District, Clermont County, prepared by J.L. Uhrig and Associates, Inc., 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 Milford Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 12, 2006

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**CLERMONT COUNTY, OHIO**  
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*For the Year Ended June 30, 2005*

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## Independent Auditor's Report

Board of Education  
Milford Exempted Village School District  
745 Center Street  
Milford, Ohio 45150

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Milford Exempted Village School District (the District) as of and for the year ended June 30, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of America. 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16, during the year ended June 30, 2005, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2006 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 when considering the results of our audit.



Board of Education  
Milford Exempted Village School District  
Independent Auditor's Report

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 District's basic financial statements. The accompanying schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 4, 2006

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2005**  
**(unaudited)**

The management's discussion and analysis of Milford Exempted Village School District's financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2005 are as follows:

- T Assets were greater than liabilities at the close of the most recent fiscal year by \$19.02 million for governmental activities and by \$.44 million for business-type activities.
- T General revenues in governmental activities accounted for \$54.66 million in revenue or 92.00 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$4.75 million or 8.00 percent of \$59.41 million in total governmental activities revenue.
- T The business-type activities were financed through program revenues of \$1.59 million. The business-type activities had sufficient program revenues and beginning net assets to cover the functional expenses by \$.44 million.
- T At the end of the current fiscal year, primary government cash and cash equivalents of \$6.02 million accounted for 15.19 percent of total assets, excluding capital assets.
- T The School District had \$64.36 million in expenses relating to governmental activities; however, only \$4.75 million of these expenses were offset by program specific revenues. General revenues and beginning net assets were adequate to cover the \$59.60 million net expense of governmental programs.
- T Among major funds, the general fund had \$50.95 million in revenues and \$53.19 million in expenditures. The general fund's balance at the close of the current year was 6.02 percent of the current year's expenditures.

***Overview of the Financial Statements***

The discussion and analysis is 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.

**Milford Exempted Village School District**  
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**Management's Discussion and Analysis**  
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**(unaudited)**

**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 private-sector business.

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

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

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 include general instruction of secondary students and the associated support for those services. The business-type activities include the education of adults and general customer services for the School District. The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into three categories: governmental, proprietary 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 the School District's near-term financing requirements.

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

The School District maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general, bond retirement and building funds, which are considered major funds. Data from the other twenty-six governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the general major fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-17 of this report.

*Proprietary Funds.* The School District maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District used enterprise funds to account for its uniform school supplies and its latchkey program. The proprietary fund statements can be found on pages 18-20.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. 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. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 21 of this report.

*Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

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**Clermont County, Ohio**  
**Management's Discussion and Analysis**  
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**(unaudited)**

**Government-Wide Financial Analysis**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets from 2004 to 2005.

*Table 1*  
*Net Assets*  
*(in Millions)*

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	Restated 2004	2005	Change	Restated 2004	2005	Change
<b>Assets</b>						
Current and Other Assets	\$44.69	\$39.21	(\$5.48)	\$0.85	\$0.41	(\$0.44)
Capital Assets, net	60.41	58.57	(1.84)	0.00	0.26	0.26
<i>Total Assets</i>	<u>105.10</u>	<u>97.78</u>	<u>(7.32)</u>	<u>0.85</u>	<u>0.67</u>	<u>(0.18)</u>
<b>Liabilities</b>						
Long-term Liabilities	47.62	46.61	(1.01)	0.08	0.13	0.05
Other Liabilities	33.53	32.15	(1.38)	0.09	0.09	0.00
<i>Total Liabilities</i>	<u>81.15</u>	<u>78.76</u>	<u>(2.39)</u>	<u>0.17</u>	<u>0.22</u>	<u>0.05</u>
<b>Net Assets</b>						
Invested in Capital Assets, net of related debt	16.68	15.70	(0.98)	0.00	0.24	0.24
Restricted	5.10	3.08	(2.02)	0.00	0.00	0.00
Unrestricted	2.17	0.24	(1.93)	0.70	0.21	(0.49)
<i>Total Net Assets</i>	<u><u>\$23.95</u></u>	<u><u>\$19.02</u></u>	<u><u>(\$4.93)</u></u>	<u><u>\$0.70</u></u>	<u><u>\$0.45</u></u>	<u><u>(\$0.25)</u></u>

The decrease in governmental current assets is related to the District's continued construction on the four new middle schools being built as part of the capital improvement plan spending down the cash reserves from previous years. The decrease in governmental liabilities is due to less outstanding contracts and the District's retiring nearly one million in principal from the general obligation bonds.

**Milford Exempted Village School District  
Clermont County, Ohio  
Management's Discussion and Analysis  
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Graph 1 breaks down the School District's governmental activities revenues into percentages by type of revenue.

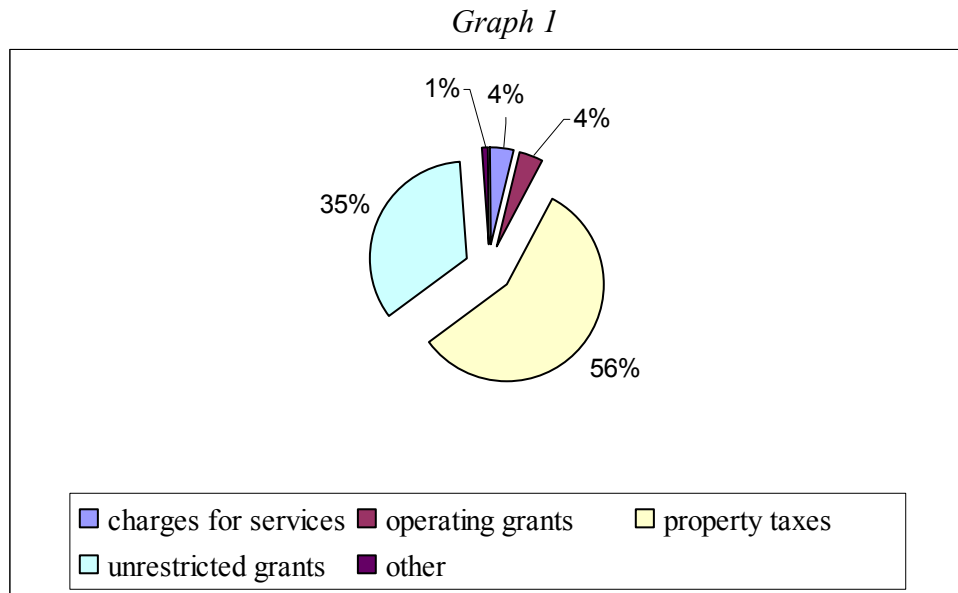


Table 2 details the actual amounts (in millions) for the School District as a whole.

	Governmental Activities		Business-Type Activities		Primary Government	
	2004	2005	2004	2005	2004	2005
<b>Program Revenues</b>						
Charges for Services	\$2.53	\$2.23	\$1.25	\$1.59	\$3.78	\$3.82
Operating Grants and Contributions	1.97	2.52	0.00	0.00	1.97	2.52
<b>Total Program Revenues</b>	<b>4.50</b>	<b>4.75</b>	<b>1.25</b>	<b>1.59</b>	<b>5.75</b>	<b>6.34</b>
<b>General Revenues</b>						
Property Taxes	29.67	33.65	0.00	0.00	29.67	33.65
Unrestricted Grants and Contributions	19.94	20.57	0.00	0.00	19.94	20.57
Investment Earnings	0.24	0.24	0.00	0.00	0.24	0.24
Miscellaneous	0.22	0.20	0.00	0.00	0.22	0.20
<b>Total General Revenues</b>	<b>50.07</b>	<b>54.66</b>	<b>0.00</b>	<b>0.00</b>	<b>50.07</b>	<b>54.66</b>
<b>All Revenues</b>	<b>\$54.57</b>	<b>\$59.41</b>	<b>\$1.25</b>	<b>\$1.59</b>	<b>\$55.82</b>	<b>\$61.00</b>

**Milford Exempted Village School District**  
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**Management's Discussion and Analysis**  
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**(unaudited)**

Table 3 compares total program expenses from fiscal year 2004 to 2005.

*Table 3*  
*(in millions)*

	Program Expense	
	2004	2005
<b>Program Expenses</b>		
<i>Instruction</i>		
Regular	\$19.40	\$25.71
Special	4.70	5.39
Other	0.74	1.03
<i>Support Services:</i>		
Pupils	3.10	3.29
Instructional Staff	2.69	3.41
Administration	3.35	3.70
Fiscal	0.92	1.03
Operation and Maintenance of Plant	4.93	6.82
Pupil Transportation	5.24	5.99
Central	0.76	1.52
Other	0.52	1.24
Food Services	1.59	1.65
Extracurricular Activities	1.01	1.21
Interest and Fiscal Charges	2.26	2.34
<i>Total Governmental Activities</i>	51.21	64.33
Customer Service	0.36	0.46
Latchkey	0.78	1.39
<i>Total Business-Type Activities</i>	1.14	1.85
Total Primary Government	52.35	66.18
Gain on Disposal of Capital Assets	0.03	0.00
Change in Net Assets	3.50	(5.18)
Beginning Net Assets, Restated	21.15	24.65
Ending Net Assets	\$24.65	\$19.47

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2005**  
**(unaudited)**

***The Major Funds***

The School District's major funds start on page 15 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 92.07 percent of the \$59.49 million in total revenue and 92.70 percent of the \$63.52 million in total expenditures. The general fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues were less than expenditures in the general fund reducing the year end fund balance to \$3.20 million. The bond retirement fund continued to expend the majority of its resources on long-term debt payments. The building fund continued to expend the majority of its resources on the construction on the new schools.

The general fund recognized \$5.88 million in current liabilities for fiscal year 2005. Accrued salaries and benefits accounted for 78.23 percent of those liabilities.

***Business-Type Activities***

The School District does not report any major enterprise activity. The District does maintain two funds that met the criteria to be classified as business-type activities. Those funds accounted for \$0.67 million in total assets and slightly more than \$.02 million in liabilities.

***General Fund Budgetary***

Table 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2005.

*Table 3*  
*Original Budget versus Final Budget for General Fund*

	Budget	
	Original	Final
<b><i>Revenues:</i></b>		
Property Local Taxes	\$29,049,000	\$28,310,429
Intergovernmental	20,194,000	20,161,269
Other	408,400	450,618
Total Revenues	\$49,651,400	48,922,316



**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Management's Discussion and Analysis**  
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*Table 3 (continued)*

<u><b>Expenditures:</b></u>	Budget	
	Original	Final
Current:		
Instruction	\$25,123,428	\$27,674,402
Support Services	25,059,947	25,923,890
Other	1,188,989	1,373,853
Total Expenditures	\$51,372,364	\$54,972,145

The District was within 1.50 percent from original to final budgeted revenues. The District had a better handle on the District's projected revenues from the beginning of the budgeting process as the District Treasurer has another year of data and being involved in the process at this District.

The increases in the budgeted expenditures were a result of student growth. Projections continued to produce less than what actually occurred and the School District needed to increase staff at both certified and non-certified levels to accommodate those increases. Overall the variance was at seven percent during the year.

*Final Budget versus Actual Results*

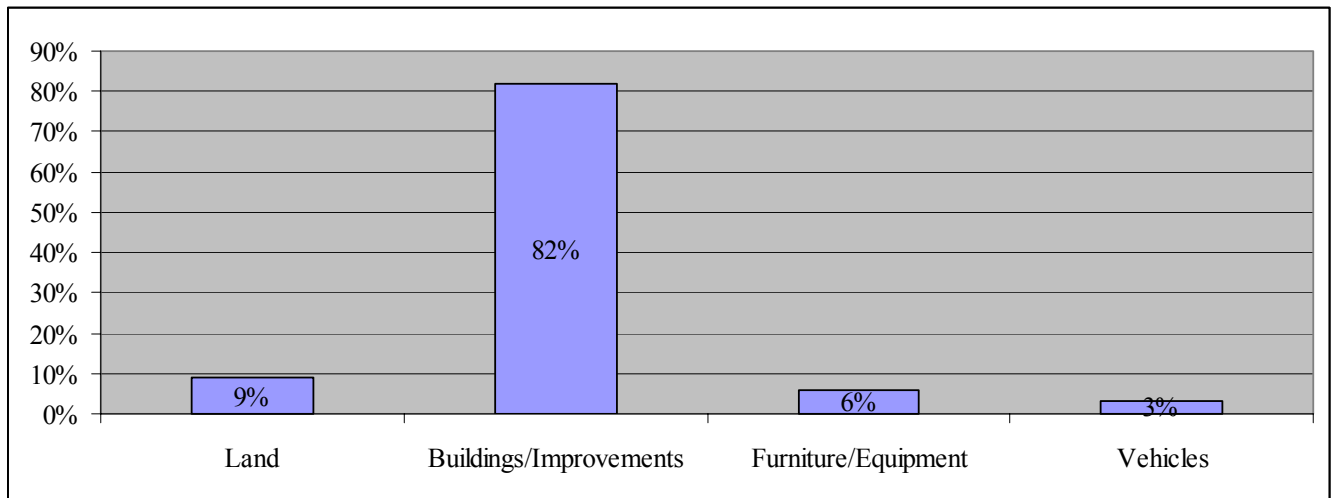
Revenues compared to final budget were on target except for some interest revenue the District did not anticipate at the year end budgeting process. The \$0.31 million variance between final expenditures and final budget in the general fund relates to the School District reducing some overhead and other miscellaneous areas within each program budget.

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**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2005**  
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**Capital Assets**

During 2005, the School District saw a net decrease of \$1.84 million invested in land, buildings, equipment, and vehicles mainly due to the depreciation on the School District's assets. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in Note 8 of the financial statements. Table 4 shows the breakdown by percentage for the governmental capital assets (business type is not shown since it is relatively small compared to governmental activities.)

*Table 4*  
*Percentage of Capital Assets by Class*



**Debt Administration**

The School District issued general obligation bonds for the construction of several new schools during the 2002 fiscal year. As of June 30, 2005, \$41.87 million was outstanding on the bonds. The School District also has \$1.15 million of energy conservation debt outstanding at year-end. For further information on the School District's obligation refer to Note 14 of the financial statements.

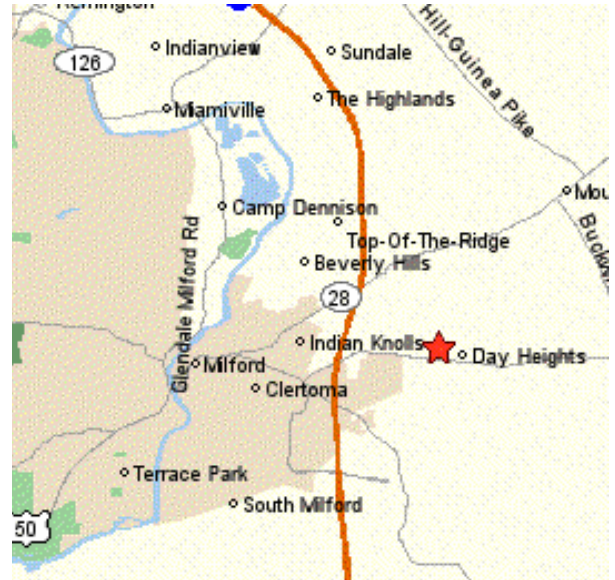
***Milford Exempted Village School District  
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***Other items impacting the financial strength of the School District***

The School District is located near Interstate 275, with the roadway actually parting the School District. The area can be accessed easily from Cincinnati also. In recent years, the area has seen expansion take off from both the residential and commercial sides and the growth should continue for several.

Over the past three years, the School District has seen property values increase approximately 8.77 percent on average while average enrollment over that time frame has increased less than 3 percent.

The School District received an excellent rating and received a ninety plus score in all eighteen high school scoring categories.



***Request for Information***

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Milford EVSD, 745 Center Avenue, Milford, Ohio 45150.

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,895,725	\$368,339	\$5,264,064
Cash in Segregated Accounts	757,714		757,714
Receivables:			
Property and Other Taxes	32,772,419	0	32,772,419
Accounts	6,614	28,104	34,718
Accrued Interest	3,479	0	3,479
Intergovernmental	146,090	0	146,090
Materials and Supplies Inventory	154,511	13,916	168,427
Prepaid Items	194,866	0	194,866
Issuance Costs	282,704	0	282,704
Capital Assets not being depreciated	7,269,742	0	7,269,742
Capital Assets (net of accumulated depreciation):	<u>51,296,663</u>	<u>256,415</u>	<u>51,553,078</u>
Total Assets	<u>97,780,527</u>	<u>666,774</u>	<u>98,447,301</u>
<b>Liabilities</b>			
Payables:			
Accounts	377,169	18,952	396,121
Contracts	219,764	0	219,764
Intergovernmental	1,494,193	0	1,494,193
Salaries and Employee Benefits	4,919,355	73,833	4,993,188
Interest	197,429	0	197,429
Claims	36,636	0	36,636
Deferred Revenue	25,430,371	0	25,430,371
Noncurrent Liabilities:			
Due within one year	1,480,427	104,889	1,585,316
Due in more than one year	44,609,662	27,341	44,637,003
Total Liabilities	<u>78,765,006</u>	<u>225,015</u>	<u>78,990,021</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	15,698,364	256,415	15,954,779
Restricted for:			
Grants	15,697	0	15,697
Debt Service	2,416,481	0	2,416,481
Capital Improvements	630,654	0	630,654
Permanent Fund Purpose - Expendable	49,322	0	49,322
Permanent Fund Purpose - Nonexpendable	2,600	0	2,600
Unrestricted	202,403	185,344	387,747
Total Net Assets	<u>\$19,015,521</u>	<u>\$441,759</u>	<u>\$19,457,280</u>

See accompanying notes to the basic financial statements

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$25,723,833	\$119,491	\$278,864	(\$25,325,478)	\$0	(\$25,325,478)
Special	5,399,680	0	525,493	(4,874,187)	0	(4,874,187)
Vocational	360,598	0	0	(360,598)	0	(360,598)
Other	670,721	1,425	114,754	(554,542)	0	(554,542)
Support Services:						
Pupils	3,289,230	179,886	790,629	(2,318,715)	0	(2,318,715)
Instructional Staff	3,407,834	4,507	76,266	(3,327,061)	0	(3,327,061)
Board of Education	45,015	0	0	(45,015)	0	(45,015)
Administration	3,702,788	0	4,090	(3,698,698)	0	(3,698,698)
Fiscal	1,027,532	0	0	(1,027,532)	0	(1,027,532)
Business	755,973	0	0	(755,973)	0	(755,973)
Operation and Maintenance of Plant	6,815,436	63,539	0	(6,751,897)	0	(6,751,897)
Pupil Transportation	6,004,324	0	0	(6,004,324)	0	(6,004,324)
Central	1,523,556	0	19,484	(1,504,072)	0	(1,504,072)
Operation of Non-Instructional Services	436,607	21,479	374,676	(40,452)	0	(40,452)
Food Service	1,647,560	1,536,403	338,728	227,571	0	227,571
Extracurricular Activities	1,206,778	304,856	0	(901,922)	0	(901,922)
Interest and Fiscal Charges	2,339,612	0	0	(2,339,612)	0	(2,339,612)
Total Governmental Activities	<u>64,357,077</u>	<u>2,231,586</u>	<u>2,522,984</u>	<u>(59,602,507)</u>	<u>0</u>	<u>(59,602,507)</u>
Business-Type Activities:						
Customer Service	458,538	332,429	0	0	(126,109)	(126,109)
Latchkey	1,393,926	1,260,194	0	0	(133,732)	(133,732)
Total Business-Type Activities	<u>1,852,464</u>	<u>1,592,623</u>	<u>0</u>	<u>0</u>	<u>(259,841)</u>	<u>(259,841)</u>
Total Primary Government	<u>\$66,209,541</u>	<u>\$3,824,209</u>	<u>\$2,522,984</u>	<u>(59,602,507)</u>	<u>(259,841)</u>	<u>(59,862,348)</u>

General Revenues:				
Property Taxes		33,646,092	0	33,646,092
Grants and Contributions not restricted to specific programs		20,570,780	0	20,570,780
Unrestricted investment earnings		239,750	0	239,750
Miscellaneous		168,581	0	168,581
Total General Revenues		<u>54,625,203</u>	<u>0</u>	<u>54,625,203</u>
Contributions to Permanent Endowment		38,000	0	38,000
Changes in Net Assets		(4,939,304)	(259,841)	(5,199,145)
Net Assets-Beginning, Restated		<u>23,954,825</u>	<u>701,600</u>	<u>24,656,425</u>
Net Assets-Ending		<u>\$19,015,521</u>	<u>\$441,759</u>	<u>\$19,457,280</u>

See accompanying notes to the basic financial statements

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b><u>Assets and Other Debits</u></b>					
<b><u>Assets</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$1,955,427	\$1,640,118	\$0	\$1,300,180	\$4,895,725
Cash and Cash Equivalents in Segregated Accounts	0	0	743,223	14,491	757,714
Receivables:					
Property and Other Taxes	29,520,813	3,251,606	0	0	32,772,419
Accounts	3,685	0	0	2,929	6,614
Interfund	177,961	0	0	0	177,961
Accrued Interest	3,479	0	0	0	3,479
Intergovernmental	67,178	365	0	78,547	146,090
Prepaid Items	194,866	0	0	0	194,866
Materials and Supplies Inventory	113,985	0	0	40,526	154,511
<b>Total Assets</b>	<b>\$32,037,394</b>	<b>\$4,892,089</b>	<b>\$743,223</b>	<b>\$1,436,673</b>	<b>\$39,109,379</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Payables:					
Accounts	\$246,450	\$0	\$0	\$130,719	\$377,169
Contracts	68,201	0	92,945	58,618	219,764
Due to Local Governments	1,379,661	0	0	114,532	1,494,193
Salaries and Employee Benefits	4,604,962	0	0	314,393	4,919,355
Interfund	0	0	131,220	46,741	177,961
Claims Payable	36,636	0	0	0	36,636
Deferred Revenue	22,954,763	2,475,608	0	0	25,430,371
<b>Total Liabilities</b>	<b>29,290,673</b>	<b>2,475,608</b>	<b>224,165</b>	<b>665,003</b>	<b>32,655,449</b>
<b><u>Fund Balances:</u></b>					
Reserved for:					
Encumbrances	1,436,047	0	198,759	575,466	2,210,272
Property Taxes	5,592,200	662,900	0	0	6,255,100
Principal	0	0	0	48,572	48,572
Inventory	113,985	0	0	40,526	154,511
Unreserved, reported in:					
General (Deficit)	(4,395,511)	0	0	0	(4,395,511)
Debt Service	0	1,753,581	0	0	1,753,581
Special Revenue	0	0	0	142,071	142,071
Permanent Fund	0	0	0	2,600	2,600
Capital Projects	0	0	320,299	(37,565)	282,734
<b>Total Fund Balances</b>	<b>2,746,721</b>	<b>2,416,481</b>	<b>519,058</b>	<b>771,670</b>	<b>6,453,930</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$32,037,394</b>	<b>\$4,892,089</b>	<b>\$743,223</b>	<b>\$1,436,673</b>	

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	58,566,405
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	282,704
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(46,287,518)

Net assets of governmental activities \$19,015,521

See accompanying notes to the basic financial statements

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property and Other Taxes	\$30,279,835	\$3,366,257	\$0	\$0	\$33,646,092
Intergovernmental	20,168,447	402,333	0	2,612,789	23,183,569
Charges for Services	0	0	0	1,536,403	1,536,403
Tuition and Fees	119,491	0	0	11,223	130,714
Interest	175,445	44,459	7,266	12,580	239,750
Gifts and Donations	67,321	0	0	236,107	303,428
Rent	63,539	0	0	0	63,539
Extracurricular Activities	0	0	0	309,373	309,373
Miscellaneous	80,880	0	0	0	80,880
<b>Total Revenues</b>	<b>50,954,958</b>	<b>3,813,049</b>	<b>7,266</b>	<b>4,718,475</b>	<b>59,493,748</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	21,057,913	0	0	326,558	21,384,471
Special	4,835,790	0	0	559,129	5,394,919
Vocational	348,141	0	0	828	348,969
Other	521,976	0	0	148,745	670,721
Support Services:					
Pupils	2,282,383	0	0	967,431	3,249,814
Instructional Staff	3,174,273	0	0	105,253	3,279,526
Board of Education	45,015	0	0	0	45,015
Administration	3,602,888	0	0	16,879	3,619,767
Fiscal	968,871	52,087	0	7,000	1,027,958
Business	722,521	0	0	0	722,521
Operation and Maintenance of Plant	6,566,037	0	0	31,603	6,597,640
Pupil Transportation	5,871,227	0	0	0	5,871,227
Central	1,433,288	0	0	81,862	1,515,150
Operation of Non-Instructional Services	8,163	0	0	2,052,285	2,060,448
Extracurricular Activities	916,672	0	0	266,303	1,182,975
Capital Outlay	433,078	0	2,583,433	73,044	3,089,555
Debt Service:					
Principal Retirement	200,340	900,000	0	0	1,100,340
Interest and Fiscal Charges	206,382	2,152,769	0	0	2,359,151
<b>Total Expenditures</b>	<b>53,194,958</b>	<b>3,104,856</b>	<b>2,583,433</b>	<b>4,636,920</b>	<b>63,520,167</b>
Excess (deficiency) of Revenues Over (Under) Expenditures	(2,240,000)	708,193	(2,576,167)	81,555	(4,026,419)
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Lease	211,257	0	0	0	211,257
Sale of Capital Assets	19,920	0	0	0	19,920
Transfers - In	21	0	0	0	21
Transfers - Out	0	0	0	(21)	(21)
<b>Total Other Financing Sources (Uses)</b>	<b>231,198</b>	<b>0</b>	<b>0</b>	<b>(21)</b>	<b>231,177</b>
Net Change in Fund Balances	(2,008,802)	708,193	(2,576,167)	81,534	(3,795,242)
Fund Balances - beginning	4,703,792	1,708,288	3,095,225	676,663	10,183,968
Change in Inventory	51,731	0	0	13,473	65,204
<b>Fund Balances - ending</b>	<b>\$2,746,721</b>	<b>\$2,416,481</b>	<b>\$519,058</b>	<b>\$771,670</b>	<b>\$6,553,930</b>

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

Net Change in Fund Balances - total governmental funds

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (1,842,002)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (241,948)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. 1,124,303

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds. (184,415)

Change in net assets of governmental activities (\$4,939,304)

See accompanying notes to the basic financial statements

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (Non-GAAP Basis) and Actual -**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2005**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b><u>Revenues:</u></b>				
Property and Other Local Taxes	\$29,049,000	\$28,310,429	\$28,310,429	\$0
Intergovernmental	20,194,000	20,161,269	20,161,269	0
Tuition and Fees	144,400	169,999	169,999	0
Interest	130,000	101,722	112,644	10,922
Rent	50,000	63,539	63,539	0
Gifts and Donations	1,000	67,321	67,321	0
Miscellaneous	83,000	48,037	48,037	0
<b>Total Revenues</b>	<b>49,651,400</b>	<b>48,922,316</b>	<b>48,933,238</b>	<b>10,922</b>
<b><u>Expenditures:</u></b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	20,041,866	21,808,542	21,794,986	13,556
Special	4,748,075	4,982,979	4,980,211	2,768
Vocational	302,481	350,024	349,914	110
Other	31,006	532,857	532,857	0
<b>Support Services:</b>				
Pupils	2,120,083	2,329,430	2,326,562	2,868
Instructional Staff	2,941,358	3,195,261	3,183,762	11,499
Board of Education	110,321	88,990	84,688	4,302
Administration	3,613,148	3,791,881	3,696,652	95,229
Fiscal	1,046,757	1,036,631	1,036,301	330
Business	1,018,806	1,041,401	1,003,850	37,551
Operation and Maintenance of Plant	6,771,976	6,887,270	6,798,243	89,027
Pupil Transportation	5,934,367	5,988,961	5,988,881	80
Central	1,503,131	1,564,065	1,563,726	339
Extracurricular Activities	881,677	927,635	924,726	2,909
Capital Outlay	307,312	286,423	236,122	50,301
<b>Debt Service:</b>				
Principal Retirement	0	92,124	92,124	0
Interest and Fiscal Charges	0	67,671	67,671	0
<b>Total Expenditures</b>	<b>51,372,364</b>	<b>54,972,145</b>	<b>54,661,276</b>	<b>310,869</b>
Deficiency of Revenues				
Under Expenditures	(1,720,964)	(6,049,829)	(5,728,038)	321,791
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	0	19,920	19,920	0
Refund of Prior Year Expenditures	0	59,938	59,938	0
Refund of Prior Year Receipts	(15,112)	0	0	0
Advances In	15,298	23,313	23,313	0
Advances Out	0	(29,554)	(29,554)	0
Transfers In	0	21	21	0
<b>Total Other Financing Sources (Uses)</b>	<b>186</b>	<b>73,638</b>	<b>73,638</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(1,720,778)</b>	<b>(5,976,191)</b>	<b>(5,654,400)</b>	<b>321,791</b>
Fund Balances at Beginning of Year	2,725,853	2,725,853	2,725,853	0
Prior Year Encumbrances Appropriated	3,329,426	3,329,426	3,329,426	0
<b>Fund Balances at End of Year</b>	<b>\$4,334,501</b>	<b>\$79,088</b>	<b>\$400,879</b>	<b>\$321,791</b>

See accompanying notes to the basic financial statements



**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	Nonmajor Proprietary Funds
<b><u>Assets</u></b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$368,339
Receivables:	
Accounts	28,104
Inventory held for Resale	13,916
Total Current Assets	410,359
<i>Noncurrent Assets</i>	
Capital Assets (net of accumulated depreciation)	256,415
Total Assets	\$666,774
<b><u>Liabilities</u></b>	
<i>Current Liabilities</i>	
Payables:	
Accounts	\$18,952
Intergovernmental Payable	100,858
Salaries and Employee Benefits	73,833
Compensated Absences	4,031
Total Current Liabilities	197,674
<i>Noncurrent Liabilities</i>	
Compensated Absences	27,341
Total Liabilities	225,015
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	256,415
Unrestricted	185,344
Total Net Assets	\$441,759

See accompanying notes to the basic financial statements

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2005**

	Nonmajor Proprietary Funds
<b><u>Operating Revenues:</u></b>	
Tuition and Fees	\$1,250,219
Sales	332,429
Other	7,719
	1,590,367
<b><u>Operating Expenses:</u></b>	
Salaries	944,646
Fringe Benefits	247,641
Purchased Services	109,419
Materials and Supplies	538,460
Depreciation	12,291
	1,852,457
Total Operating Revenues	1,590,367
Total Operating Expenses	1,852,457
Operating Loss	(262,090)
<b><u>Non-Operating Revenue (Expenses):</u></b>	
Non-Operating Revenues	2,256
Interest and Fiscal Charges	(7)
	2,249
Total Non-Operating Revenue (Expenses)	2,249
Change in Net Assets	(259,841)
Net Assets -	
Beginning of Year, Restated	701,600
Net Assets - End of Year	\$441,759

See accompanying notes to the basic financial statements

**Milford Exempted Village School District**  
**Clermont County, Ohio**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2005**

	Nonmajor Proprietary Funds
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$1,567,079
Cash Payments to Suppliers for Goods and Services	(659,717)
Cash Payments to Employees for Services	(915,026)
Cash Payments for Employee Benefits	(209,441)
Cash Received from Other Revenues	7,627
Cash Received from Other Nonoperating Revenues	2,256
	<u>(207,222)</u>
<b><u>Net Cash Used for Operating Activities</u></b>	
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Principal Paid on Capital Leases	(1,124)
Interest Paid on Capital Leases	(7)
Payments for Capital Acquisitions	(267,072)
	<u>(268,203)</u>
<b><u>Net Cash Used For Capital and Related Financing Activities</u></b>	
	<u>(475,425)</u>
<b><u>Net Decrease in Cash and Cash Equivalents</u></b>	<b><u>(475,425)</u></b>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<b><u>843,764</u></b>
	<u>\$368,339</u>
	<u>\$368,339</u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(262,090)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	12,291
Nonoperating Revenue	2,256
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Accounts Receivable	(15,663)
Increase in Inventory held for Resale	(13,916)
Increase in Accounts Payable	346
Decrease in Contracts Payable	(20,129)
Increase in Accrued Wages and Benefits	34,052
Increase in Compensated Absences Payable	12,847
Increase in Intergovernmental Payable	42,784
	<u>54,868</u>
<b><u>Total Adjustments</u></b>	<b><u>54,868</u></b>
<b><u>Net Cash Used for Operating Activities</u></b>	<b><u>(\$207,222)</u></b>

See accompanying notes to the basic financial statements

*Milford Exempted Village School District  
Clermont County, Ohio  
Statement of Fiduciary Assets and Liabilities-  
Fiduciary Fund  
June 30, 2005*

	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$82,213</u></u>
<b><u>Liabilities</u></b>	
Accounts Payable	4,552
Undistributed Monies	6,669
Due to Students	<u>70,992</u>
Total Liabilities	<u><u>\$82,213</u></u>

See accompanying notes to the basic financial statements

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Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Milford Exempted Village School District ( the “School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's nine instructional support facilities staffed by approximately 209 non-certificated, 359 teaching personnel and 28 administrative employees providing education to approximately 5,890 students.

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Milford Exempted Village School District, this includes general operations, food service, latchkey, and student related activities of the School District. The following activities are included within the reporting entity:

*Parochial School Funding* - Within the School District boundaries, St. Andrew and St. Elizabeth Ann Seton Schools are operated through the Cincinnati Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if (1) the School District appoints a voting majority of the organizations's governing board and (2) the School District is able to significantly influence the programs or services performed or provided by the organization; or (3) the School District is legally entitled to or can otherwise access the organizations' 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.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The City of Milford and the Parent Teacher Organizations, which perform activities within the School District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

The School District is associated with three organizations of which two are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association (H/CCA), Great Oaks Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989 to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

*Fund Accounting*

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of three categories of funds: governmental, proprietary and fiduciary.



Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *bond retirement fund* is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

The *building fund* accounts for the revenue and expenditures related to the acquisition and construction of capital facilities including real property. Debt proceeds related to this activity are recorded in this fund, except premium or accrued interest.

Additionally, the District reports the following fund types:

*Enterprise Funds* account for the activities of the school supplies distribution center and the school's latchkey program.

*Fiduciary Agency Funds* reporting focuses on net assets and changes in net assets. The District maintains two fiduciary funds: Student Activities Agency and Unclaimed Monies Fund. The Student Activities fund was established to account for revenues generated by student managed activities. The Unclaimed Monies fund was established during 2004 to account for monies owed to others but not paid. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the customer service and adult education funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Budgetary Process:

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated Resources:

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. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

Appropriations:

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

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

Lapsing of Appropriations:

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

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and fund balance sheets. The School District utilizes a third party administrator to pay claim expenses and account for the dental self-insurance fund. The balance in this account presented on the statement of net assets and governmental fund balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and represents the difference between deposits and the paid claims. The District also maintains retainage accounts for contractors in relation to the school building improvement plan and district managed athletic activities as "Cash and Cash Equivalents in Segregated Accounts".

During fiscal year 2005, investments were limited to funds invested in federal mortgage backed agencies securities, United States treasury obligations, money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Investment contracts and money market investments that has a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, during fiscal year 2005 amounted to \$175,445, which \$77,935 was assigned from other funds. The Lunchroom, Special Trust and Auxiliary Service special revenue funds, debt service fund, Permanent Improvement and Building capital projects funds and Endowment permanent fund also received interest of \$5,823; \$121; \$2,647; \$44,459; \$3,555; \$7,266 and \$434, respectively. For purposes of the statement of cash flows, the proprietary fund share of Equity in Pooled Cash and Cash Equivalents is considered to be cash equivalents because the School District has access to these funds without penalty or prior notice.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories of governmental funds and governmental activities are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies, and school supplies held for resale and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Furniture and Equipment	5
Vehicles	5

Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables.” These amounts are eliminated on the statement of net assets within the consolidated columns.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits 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 School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 10 years of service, certified employees after 20 years and administrators after 25 years of service.

Expenditures or liabilities related to compensated absences are reported in governmental funds only if they are due for payment. The entire liability is reported on the government-wide statement of net assets. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements when the liability is incurred. However, compensated absences and debt service expenditures are recorded as expenditures only when payment is due. Contractually required pension obligations are reported as liabilities in the fund financial statements only to the extent they will be paid with current available financial resources. Capital leases and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Interfund Activity

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

Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside for the purchase of buses required by statute to be set-aside by the School District. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Fund Balance Reserves and Designations

The School District records reservations for 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 are established for encumbrances, property taxes, principal, and inventory.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for principal represents monies reserved by an endowment to the School District to maintain scholarships.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing 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.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Exchange/Non-Exchange Transactions

Revenues 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6.)

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.



Milford Exempted Village School District  
 Clermont County, Ohio  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reconciliation of government-wide and fund financial statements

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets*

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$46,803,362) difference are as follows:

Capital Lease Payable	(\$457,095)
Long Term Debt Payable	(43,015,461)
General Obligation Bonds - Premium	(635,011)
Accrued Interest Payable	(197,429)
Long Term Pension Obligation	(515,844)
Compensated Absences	<u>(1,982,522)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> ,	<u><u>(\$46,803,362)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of the \$58,566,405 difference are as follows:

Capital Assets	\$75,646,442
Accumulated Depreciation	<u>(17,080,037)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$58,566,405</u></u>

Milford Exempted Village School District  
 Clermont County, Ohio  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities*

An element of that reconciliation states that “Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.” The details of this (\$180,954) are as follows:

Change in SERS Obligation and Leave Balances	(\$176,530)
Net interest accrual on Long Term Debt	6,244
Bonds Issuance Costs	(10,668)
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$180,954)

Another element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this (\$1,842,002) are as follows:

Current capital additions	\$382,375
Depreciation Expense	(2,224,377)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$1,842,002)

Another element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduce the long-term liabilities in the statement of net assets.” The details of this \$1,124,303 are as follows:

Principal reduction on capital lease	\$108,216
Principal reduction on debt	992,124
Amortization on general obligation bond premium	23,963
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$1,124,303

Milford Exempted Village School District  
 Clermont County, Ohio  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2005

NOTE 3 - ACCOUNTABILITY

At June 30, 2005, the following nonmajor governmental funds had a deficit fund balance:

Nonmajor Governmental Funds	Amount
Alternative School Grant	\$10,845
Title VI-B Grant	45,679
Title I Grant	25,977
Title VI Grant	8,406
Drug Free Grant	1,520
Reducing Class Size Grant	13,468
Miscellaneous Federal Grants	1,977
Total Nonmajor Governmental Funds	\$107,872

The deficits in the grant programs were created by expending the monies for the grants and having an outstanding receivable at year end. The District provided advances from the general fund to cover the negative cash in these funds. The deficits in the funds were created by application of generally accepted accounting principles. The general fund provides cash to these funds; however that does not happen until needed.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) – General Fund 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Milford Exempted Village School District  
 Clermont County, Ohio  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2005

NOTE 4 - BUDGET TO GAAP RECONCILIATION

3. Encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance(GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the General Fund GAAP and budgetary basis statements.

Excess of Revenues and Other Financing Sources  
 Under Expenditures and Other Financing Uses

GAAP Basis	(\$2,003,590)
Adjustments:	
Revenue Accrual	(1,961,782)
Expenditure Accrual	(40,201)
Encumbrances	(1,642,586)
Advances	<u>(6,241)</u>
Budget Basis	<u><u>(\$5,654,400)</u></u>

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 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 deposits are deposits of interim monies. 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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 money deposited with the institution.

Interim monies may 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 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 instrumentalities;
3. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

4. Bond 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 only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. 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; and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 qualified trustee 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 No. 3, "*Deposits With Financial Institutions, Investments, and Reverse Repurchase Agreements.*"

**Deposits** At year end, the carrying amount of the School District's deposits, excluding payroll and athletic account, was \$3,941,765 and the bank balance was \$4,121,686. Of the bank balance:

1. \$231,372 was covered by federal depository insurance; and
2. \$3,890,314 was covered by pledged securities held by the institution in the School District's name.

Milford Exempted Village School District  
 Clermont County, Ohio  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

**Investments** The School District’s investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio and the money market mutual fund are classified investments since they are not evidenced by securities that exist in physical or book entry form.

<u>Investments</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Fair Value</u>	<u>Investment Maturity</u>
Federal Home Loan Bank	\$797,780	\$0	\$797,780	< 1 year
Federal National Mortgage Association	149,109	0	149,109	< 1 year
Federal Home Loan Mortgage Corporation	1,196,603	0	1,196,603	< 1 year
Money Market Mutual Funds	0	18,734	18,734	< 1 year
	<u>\$2,143,492</u>	<u>\$18,734</u>	<u>\$2,162,226</u>	

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declined in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District limits their investments to securities in STAR Ohio, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes. Below are the credit ratings of the School District’s investments:

<u>Security</u>	<u>Rating Agency</u>	
	<u>Moody’s</u>	<u>Standard &amp; Poor’s</u>
STAR Ohio	N/A	AAAm
Federal Home Loan Bank Notes	Aaa	AAA
Federal Home Loan Mortgage Corporation Notes	Aaa	AAA
Federal National Mortgage Association Notes	Aaa	AAA

Milford Exempted Village School District  
 Clermont County, Ohio  
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 For the Fiscal Year Ended June 30, 2005

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single user. The School District’s investment policy allows investments in Federal Agencies or Instrumentalities. Federal Home Loan Bank Notes comprised 29% of the School District’s investments, Federal Home Loan Mortgage Corporation Notes comprised 36% of the School District’s investments, Federal National Mortgage Association Notes comprised 30% of the School District’s investments, and STAR Ohio comprised 5% of the School District’s investments.

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

Cash and cash equivalents and investments are pooled for basic financial statements classification because the pool consists of deposits, short-term investments or long-term investments that can be converted to liquid assets. A reconciliation between the classifications of cash and investments on the basic financial statements and classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Equity Pooled Cash and Cash Equivalents – Basic Financial Statements	\$6,103,991	\$0
Investments:		
Federal Home Loan Bank	(797,780)	797,780
Federal National Mortgage Association	(149,109)	149,109
Federal Home Loan Mortgage Corporation	(1,196,603)	1,196,603
Money Market Mutual Funds	(18,734)	18,734
GASB Statement No.3	\$3,941,765	\$2,162,226



Milford Exempted Village School District  
Clermont County, Ohio  
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For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collection</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$774,094,800	92.42%	\$642,941,190	90.79%
Public Utility Personal	21,803,640	2.60	20,984,330	2.96
Tangible Personal Property	<u>41,680,665</u>	<u>4.98</u>	<u>44,239,404</u>	<u>6.25</u>
Total Assessed Value	<u>\$837,579,105</u>	<u>100.00%</u>	<u>\$708,164,924</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$65.90		\$65.90	

The School District receives property taxes from Clermont and Hamilton Counties. The County Auditors 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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Milford Exempted Village School District. The County Auditor periodically remits to the School District its portion of taxes. 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 \$5,592,200 in the general fund and \$662,900 in the debt service fund, respectively.

Milford Exempted Village School District  
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 For the Fiscal Year Ended June 30, 2005

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of property taxes, accounts (rent, tuition, and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Major Funds:	
General Fund	
City of Milford Abatement	\$45,000
Homestead and Rollback	3,026
Bud Purchase Allowance	19,152
Total General Fund	67,178
Bond Retirement Fund	
Homestead and Rollback	365
Total Bond Retirement Fund	365
Nonmajor Governmental Funds:	
Food Service	43,217
Reducing Class Size Grant	35,330
Total Nonmajor Governmental Funds	78,547
Total	\$146,090

Milford Exempted Village School District  
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**NOTE 8 - CAPITAL ASSETS**

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

	Adjusted Balance 07/01/04	Increases	Decreases	Balance 6/30/05
<b>Governmental Activities</b>				
Capital Assets, not being depreciated				
Land	\$7,268,742	\$0	\$0	\$7,268,742
Construction in Progress	47,792,610	0	47,792,610	0
*Capital Assets, being depreciated				
Buildings and Improvements	13,881,673	47,792,610	0	61,674,283
Furniture and Equipment	3,878,791	382,375	8,870	4,252,296
Vehicles	2,451,121	0	0	2,451,121
Total at Historical Cost	<u>75,272,937</u>	<u>48,174,985</u>	<u>47,801,480</u>	<u>75,646,442</u>
Total Accumulated Depreciation Governmental Activities	<u>(14,864,530)</u>	<u>(2,224,377)</u>	<u>8,870</u>	<u>(17,080,037)</u>
Capital Assets, Net	<u>60,408,407</u>	<u>45,950,608</u>	<u>47,792,610</u>	<u>58,566,405</u>
<b>Business-Type Activities</b>				
Furniture and Equipment	3,500	267,072	0	270,572
Total Accumulated Depreciation Business-Type Activities	<u>(1,866)</u>	<u>(12,291)</u>	<u>0</u>	<u>(14,157)</u>
Capital Assets, Net	<u>\$1,634</u>	<u>\$254,781</u>	<u>\$0</u>	<u>\$256,415</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,617,096
Support Services:	
Pupils	18,229
Instructional Staff	117,336
Administration	83,563
Fiscal	520
Business	116,425
Operation and Maintenance of Plant	69,636
Pupil Transportation	124,262
Central	4,936
Operation of Non-Instructional Services	
Food Services	48,571
Extracurricular Activities	23,803
Total Depreciation Expense	<u>\$2,224,377</u>

Milford Exempted Village School District  
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NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted with Acordia for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$120,354,872
Inland Marine Coverage (\$500 deductible)	included above
Boiler and Machinery	included above
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists	1,000,000
Employers' Liability (\$1,000 deductible)	2,000,000
General Liability	
Per occurrence (\$1,000 deductible)	1,000,000
Aggregate	5,000,000

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

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Effective February 1, 1995 the School District has elected to provide employee dental benefits through a self-insurance plan operated through the general fund. This plan provides a dental plan with four different classifications with a \$25 single and \$50 family deductible. The School District pays the premium for the employees in the dental plan.

Milford Exempted Village School District  
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NOTE 9 - RISK MANAGEMENT (continued)

A third party administrator, Frank Gates & Company, Columbus, Ohio, reviews all claims which are then paid by the School District. The School District pays \$45.00 per policy (single or family) per month, which represents the entire premium. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$36,636 reported in the general fund at June 30, 2005, is based on information provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that the liability for the unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustments expenses. Changes in claims activity for the past two years are as follows:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2004	\$18,861	\$449,904	\$445,565	\$ 23,200
2005	23,200	184,698	171,262	36,636

NOTE 10 - 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%. A portion of the School District's contribution is used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. For the fiscal year 2005, 10.57 percent of the annual covered salary was the portion used to fund pension obligation. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2005, 2004, and 2003, were \$1,137,816, \$795,811, and \$768,915, respectively; 57 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$490,812 representing the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds and on the statement of net assets.

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NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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 43215-3371.

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. Contributions to the DC and Combined Plan for fiscal year 2005 were \$77,280 by the District and \$75,706 by the plan members. This information was obtained by sending an e-mail to [riehlb@strsoh.org](mailto:riehlb@strsoh.org).

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 District is required to contribute 14%; 13% was the portion to fund pension obligations. 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 District's contributions to STRS for the years ending June 30, 2005, 2004, and 2003, were \$3,315,575, \$2,818,738, and \$2,441,286, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$532,261 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds and on statement of net assets.

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NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$255,044 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. At June 30, 2004 (the latest information available), 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 fiscal years of qualifying service credit, and to 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 basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$521,540.

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



Milford Exempted Village School District  
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NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave amounts are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Only accrued vacation for the current fiscal year not taken is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Treasurer. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for administrators and 230 days for the remaining staff. Upon retirement with a minimum of ten years of service with the School District, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of 57-1/2 days with the exception of administrators who are eligible to receive a maximum of 75 days.

The School District also offers super severance pay to administrators that retire through the State Teachers Retirement System at the end of the work year that they first become eligible to retire. Administrators will receive super severance at any time after they become eligible to retire if they have worked in the School District for ten or more years. The super severance payment is fifty percent of the employee's accumulated sick leave. It is assumed that all eligible administrators will be paid the super severance percentage and all other employees will be paid based on the twenty-five percent of accumulated sick leave.

Life Insurance

The School District provides life insurance and accidental death insurance to most employees through Reliance Standard Insurance Company.

Employee Medical Benefits

The School District has elected to provide employee medical/surgical benefits through Anthem. The provider offers two plans to the School District's employees. The preferred patient plan costs \$339.57 for single and \$797.60 for family with a \$10 co-pay by the employee. The other plan is the health maintenance plan, in which the employee must choose a family medical provider from an approved list. The cost for single is \$305.91 and family is \$718.55 with a \$5 co-pay.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During the fiscal year, the School District entered into capitalized leases for copy machines. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund. These expenditures are reported as function expenditures on the budgetary statements.

Milford Exempted Village School District  
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NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

Capital assets consisting of copiers have been capitalized on the statement of net assets for governmental activities in the amount of \$936,829; \$211,257 for fiscal year 2005 and business-type activities have been capitalized in the appropriate funds in the amount of \$18,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets. Principal payments in fiscal year 2005 totaled \$108,216 in the governmental activities and \$1,124 in the business-type activities. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Governmental
2006	\$237,372
2007	234,668
2008	202,138
2009	176,244
2010	69,368
Total	919,790
Less: Amount Representing Interest	(462,695)
Present Value of Net Minimum Lease Payments	\$457,095

The annual debt service requirements to maturity for the capital lease paid are as follows:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2006	\$80,591	\$156,781	\$237,372
2007	98,193	136,475	234,668
2008	96,596	105,542	202,138
2009	118,474	57,770	176,244
2010	63,241	6,127	69,368
Total	\$457,095	\$462,695	\$919,790

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NOTE 14 - LONG TERM DEBT

Changes in long-term obligations of the School District during the 2005 fiscal year were as follows:

	Amount at June 30, 2004	Additions	Deletions	Amount at June 30, 2005	Due Within One Year
<u>Governmental Activities</u>					
Energy Conservation Loan 2014 5.07%	\$1,242,585	\$0	\$92,124	\$1,150,461	\$103,118
General Obligation Bonds 2030 3.00%-6.00%	42,765,000	0	900,000	41,865,000	1,010,000
Premium on Bonds	658,974	0	23,963	635,011	23,963
Compensated Absences	2,083,551	1,535,398	1,636,427	1,982,522	262,755
Intergovernmental Payable	519,305	515,844	519,305	515,844	515,844
Capital Leases Payable	354,054	211,257	108,216	457,095	80,591
Total Governmental Activities	47,623,469	2,262,499	3,280,035	46,605,933	1,996,271
<u>Business-Type Activities</u>					
Compensated Absences	18,525	27,016	14,169	31,372	4,031
Intergovernmental Payable	60,720	100,858	60,720	100,858	100,858
Capital Leases Payable	1,124	0	1,124	0	0
Total Business-Type Activities	80,369	127,874	76,013	132,230	104,889
Total	\$47,703,838	\$2,390,373	\$3,356,048	\$46,738,163	\$2,101,160

*Energy Conservation Loan* - On January 21, 2000, the School District issued \$1,664,495 in an energy conservation loan for the purpose of installations, modifications of installations, or remodeling that would significantly reduce energy consumption in buildings owned by the District. The loan was issued for a fifteen year period with final maturity at December 1, 2013. The loan will be retired from the General Fund.

*General Obligation Bonds*-On December 1, 2001 the School District issued \$43,566,000 in general obligation bonds for the purpose of constructing three new school buildings and related land purchases. The bonds were issued for a twenty-nine year period with a final maturity of December 1, 2030. The bonds will be retired from the debt service fund.

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NOTE 14 - LONG TERM DEBT (continued)

The School District's overall legal debt margin was \$24,286,324 with an energy conservation debt margin of \$5,223,023 and an unvoted debt margin of \$708,165 at June 30, 2005.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents the contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Capital leases will be paid from the General fund and applicable enterprise funds.

Governmental Activities

Fiscal Year Ending June 30,	Energy Conservation Loan			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$103,118	\$56,677	\$159,795	\$1,010,000	\$2,121,939	\$3,131,939
2007	108,412	51,382	159,794	1,285,000	2,084,645	3,369,645
2008	113,978	45,816	159,794	135,000	2,061,233	2,196,233
2009	117,982	41,812	159,794	195,000	2,054,801	2,249,801
2010	123,963	35,831	159,794	0	0	0
2011-2015	583,008	78,153	661,161	4,025,000	3,560,163	7,585,163
2016-2020	0	0	0	7,790,000	2,724,900	10,514,900
2021- 2025	0	0	0	8,290,000	319,000	8,609,000
2026-2031	0	0	0	19,135,000	980,669	20,115,669
Totals	<u>\$1,150,461</u>	<u>\$309,671</u>	<u>\$1,460,132</u>	<u>\$41,865,000</u>	<u>\$15,907,350</u>	<u>\$57,772,350</u>

NOTE 15 - INTERFUND BALANCE/TRANSFERS

Interfund balances at June 30, 2005, consist of the following individual receivables and payables:

	Transfers In	Transfers Out	Interfund Receivable	Interfund Payable
Major Funds				
General	\$21	\$0	\$177,961	\$0
Non-Major Governmental				
Special Revenue Funds	0	0	0	46,741
Capital Projects Fund	0	21	0	131,220
Total	<u>\$21</u>	<u>\$21</u>	<u>\$177,961</u>	<u>\$177,961</u>

The interfund activity from the general fund to the nonmajor funds were to cover timing differences in the various grants funds and retainage balances in the capital projects fund. The District expects to receive the grant monies within one year and the transfers and advances will be repaid to the general fund and when the retainage is drawn up.

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NOTE 16 - CHANGES IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During fiscal year 2005, the School District was required to implement GASB 40, "Deposit and Investment Risk Disclosures". The statement requires additional disclosures for credit risk, concentration risk and interest rate risk in relation to the School District's investments. The School District has included the additional disclosures on investments owned by the School District.

The District's 2005 basic financial statements reflect prior period adjustments to the General Fund and Other Governmental Fund balances to properly reflect the District's obligation for contractually obligated pension liabilities, in accordance with GASB Technical Bulletin NO. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, issued in December 2004.

At June 30, 2004, the School District restated the beginning balance due to the change in accounting for certain intergovernmental payables and the capital asset appraisal that was done in 2005. Therefore, the beginning balances were overstated and adjustments were made to correct the June 30, 2004 balance.

	General Fund	Other Governmental Funds	Governmental Activities
Net Assets/Fund Balance at June 30, 2004	\$5,155,935	\$2,452,113	\$30,664,463
Understatement of Intergovernmental Payable	(452,143)	(67,162)	0
Adjustment for Capital Asset Appraisal	0	0	(6,709,638)
Adjusted Net Assets/Fund Balance at June 30, 2004	<u>\$4,703,792</u>	<u>\$2,384,951</u>	<u>\$23,954,825</u>

	Proprietary Funds	Business-Type Activities
Net Assets at June 30, 2004	\$940,388	\$940,388
Understatement of Intergovernmental Payable	17,368	17,368
Adjustment for Capital Asset Appraisal	(256,156)	(256,156)
Adjusted Net Assets at June 30, 2004	<u>\$701,600</u>	<u>\$701,600</u>

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NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and 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 Carryover Balance as of June 30, 2004	(\$1,179,691)	\$0	(\$1,179,691)
Current Year Set-aside Requirement	866,038	866,038	1,732,076
Qualifying Disbursements	(1,312,137)	(3,826,211)	(5,138,348)
Total	<u>(1,625,790)</u>	<u>(2,960,173)</u>	<u>(4,585,963)</u>
Set-aside Carryover Balance as of June 30, 2005	<u>(\$1,625,790)</u>	<u>\$0</u>	<u>(\$1,625,790)</u>

Amounts of qualifying disbursements for textbooks in the table reduced the year end amount of the set aside to below zero. This extra amount may be used to reduce the set-side requirement in future years.

NOTE 18 -JOINTLY GOVERNED ORGANIZATIONS

Hamilton/Clermont Cooperative Association

The Milford Exempted Village School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$94,337 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from Al Porter, director, their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Great Oaks Joint Vocational School

The Great Oaks Joint Vocational School, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board, which possesses its own budgeting and taxing authority. Great Oaks Joint Vocational School was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Milford Exempted Village School District. The School District has no ongoing financial interest in nor responsibility for the Vocational School. Complete financial statements for Great Oaks Joint Vocational School can be obtained from the treasurer, John Wahle, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 19 - INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

NOTE 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 decision is unconstitutional.

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

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

Milford Exempted Village School District  
Clermont County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

NOTE 21 - CONTINGENCIES

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.

Litigation:

As of June 30, 2005, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.



**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT**

Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2005

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Lunch Program	LL-P4 2005	10.555	321,132	321,132
<b>Total U.S. Department of Agriculture</b>			<u>321,132</u>	<u>321,132</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2005	84.010	227,429	214,767
<i>Special Education Cluster:</i>				
Special Education - Grants to States (IDEA Part B)	6B-SF 05	84.027	1,122,343	1,029,701
Special Education - Preschool Grant	PG-S1 05	84.173	47,542	39,959
Total Special Education Cluster			<u>1,169,885</u>	<u>1,069,660</u>
Safe and Drug-Free Schools and Communities	T4-SP 05	84.184	10,290	10,290
Safe and Drug-Free Schools and Communities_National Program	T4-S1 05	84.184C	23,026	17,218
Safe and Drug-Free Schools and Communities	DR-S1 05	84.186	20,683	19,933
Innovative Educational Program Strategies	C2-S1 05	84.298	28,263	55,188
Technology Literacy Challenge	TJ-S1 05	84.318	6,046	4,944
Vocational Education - Basic Grant to State	N/A	84.048	12,616	7,552
Improving Teacher Quality	TR-S1 05	84.367	125,345	168,311
<b>Total U.S. Department of Education</b>			<u>1,623,583</u>	<u>1,567,863</u>
<b>Total Federal Financial Assistance</b>			<u>\$1,944,715</u>	<u>\$1,888,995</u>

**Note 1 - Noncash Federal Financial Assistance**

During the year ended June 30, 2005, the District received \$195,774 and used \$195,774 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2005, the District had no significant food commodities inventory.

**Note 2 - Significant Accounting Policies**

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Required by Government Auditing Standards**

Board of Education  
Milford Exempted Village School District  
745 Center Street  
Milford, Ohio 45150

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Exempted Village School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 4, 2006, in which we noted the District implemented Governmental Auditing Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses 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 of America.

**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 in order to express our opinions on the financial statements and not to opine 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 to the financial statements we 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. We did note one matter involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated April 4, 2006.

Board of Education  
Milford Exempted Village School District  
Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Required by Government Auditing Standards

### **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 grants, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Education, management, 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 4, 2006

**Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Education  
Milford Exempted Village School District  
745 Center Street  
Milford, Ohio 45150

**Compliance**

We have audited the compliance of Milford Exempted Village School District (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 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 its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Board of Education  
Milford Exempted Village School District  
Report on Compliance with Requirements Applicable to Each Major Federal  
Program and 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 and use of the Board of Education, management, 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

April 4, 2006

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT**  
**CLERMONT COUNTY, OHIO**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended June 30, 2005*

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

<b>1. Type of Financial Statement Opinion</b>	Unqualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	No
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>8. Are there any reportable findings under § .510?</b>	No
<b>9. Major Programs (list):</b>	CFDA # 10.550 and 10.555 Nutrition Cluster and CFDA # 84.048 Vocational Education - Basic Grant to State
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

**C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.



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Betty Montgomery**

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**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT**

**CLERMONT 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  
JULY 6, 2006**