

**MILTON-UNION EXEMPTED VILLAGE
SCHOOL DISTRICT**

Basic Financial Statements

June 30, 2006

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Education
Milton-Union Exempted Village School District
112 South Spring Street
West Milton, Ohio 45383

We have reviewed the *Independent Auditors' Report* of the Milton-Union Exempted Village School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2005 through June 30, 2006. 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 Milton-Union Exempted Village School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 4, 2007

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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Independent Auditors' Report

Board of Education
Milton-Union Exempted Village School District
112 South Spring Street
West Milton, OH 45383

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
December 21, 2006

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006***

Unaudited

The discussion and analysis of Milton-Union Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- Net assets increased \$429,413, which represents a 7% increase from 2005.
- General revenues accounted for \$12,761,064 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,185,127 or 15% of total revenues of \$14,946,191.
- The District had \$14,516,778 in expenses related to governmental activities; only \$2,185,127 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,761,064 were adequate to provide for these programs.
- The general fund had \$13,018,779 in revenues and \$12,299,230 in expenditures. The general fund's fund balance increased \$594,857 to \$2,428,907.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006***

Unaudited

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

Proprietary Funds – The District reports a medical self insurance program in an internal service fund. Internal service funds are used to report activities that provide services for the District's other programs and activities. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – The District is the trustee, or fiduciary, for various student-managed activity programs, various scholarship programs and other items listed as agency and private purpose. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2006 compared to 2005.

	Governmental Activities		Increase (Decrease)
	2006	2005	
Current and other assets	\$9,883,449	\$9,227,016	\$656,433
Capital assets, Net	4,380,608	4,562,572	(181,964)
Total assets	14,264,057	13,789,588	474,469
Long-term liabilities	1,199,421	1,093,581	105,840
Other liabilities	6,743,829	6,804,613	(60,784)
Total liabilities	7,943,250	7,898,194	45,056
Net assets			
Invested in capital assets, net of related debt	4,313,463	4,469,768	(156,305)
Restricted	523,626	330,723	192,903
Unrestricted	1,483,718	1,090,903	392,815
Total net assets	\$6,320,807	\$5,891,394	\$429,413

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 compared with 2005:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Revenues			
Program revenues:			
Charges for Services and Sales	\$1,208,836	\$1,317,345	(\$108,509)
Operating Grants and Contributions	959,267	954,286	4,981
Capital Grants and Contributions	17,024	3,712	13,312
Total Program Revenues	2,185,127	2,275,343	(90,216)
General revenues:			
Property Taxes	5,405,561	5,677,867	(272,306)
Grants and Entitlements	7,083,008	7,062,266	20,742
Other	272,495	130,764	141,731
Total General Revenues	12,761,064	12,870,897	(109,833)
Total Revenues	14,946,191	15,146,240	(200,049)
Program Expenses			
Instruction	8,273,100	8,209,156	63,944
Support Services:			
Pupils	754,106	714,010	40,096
Instructional Staff	685,397	768,032	(82,635)
Board of Education	80,962	64,451	16,511
Administration	1,124,590	1,050,662	73,928
Fiscal Services	410,385	401,469	8,916
Business	120,393	155,621	(35,228)
Operation and Maintenance of Plant	783,221	918,333	(135,112)
Pupil Transportation	850,731	806,733	43,998
Central	428,135	410,907	17,228
Operation of Non-Instructional Services	510,864	365,876	144,988
Extracurricular Activities	494,894	513,257	(18,363)
Debt Service:			
Interest and Fiscal Charges	0	1,088	(1,088)
Total expenses	14,516,778	14,379,595	137,183
Total Change in Net Assets	429,413	766,645	(337,232)
Beginning Net Assets	5,891,394	5,124,749	766,645
Ending Net Assets	\$6,320,807	\$5,891,394	\$429,413

Governmental Activities

Net assets of the District's governmental activities increased \$429,413. Overall, expenses remained very stable, increasing \$137,183 or less than 1%. Charges for services and sales decreased 8% due to a decrease in the regional transportation of students.

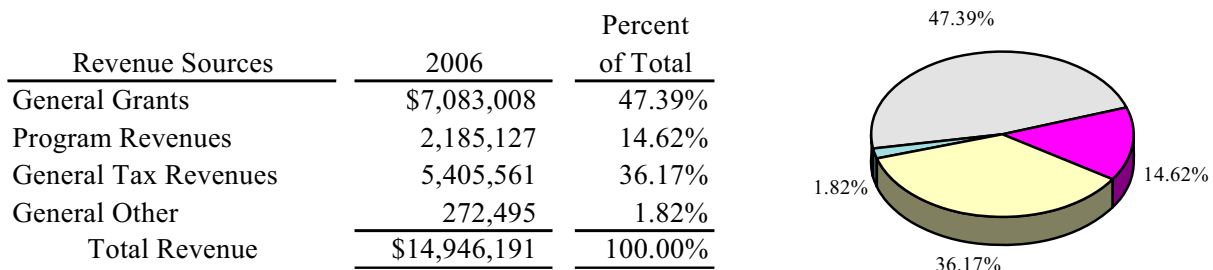
MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**

Unaudited

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

Property taxes made up 36% of revenues for governmental activities for Milton-Union Schools in fiscal year 2006. The District's reliance upon tax revenues is demonstrated by the following graph:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$3,062,677, which is above last year's total of \$2,262,119. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)
General	\$2,428,907	\$1,834,050	\$594,857
Other Governmental	633,770	428,069	205,701
Total	\$3,062,677	\$2,262,119	\$800,558

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**

Unaudited

General Fund –The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2006 <u>Revenues</u>	2005 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$5,102,570	\$5,323,726	(\$221,156)
Tuition	617,141	608,420	8,721
Transportation Fees	2,384	94,069	(91,685)
Investment Earnings	170,963	86,418	84,545
Intergovernmental - State	7,062,596	7,047,323	15,273
Intergovernmental - Federal	12,735	11,881	854
All Other Revenue	50,390	11,865	38,525
Total	<u>\$13,018,779</u>	<u>\$13,183,702</u>	<u>(\$164,923)</u>

General Fund revenues in 2006 decreased approximately 1% compared to revenues in fiscal year 2005. Taxes decreased 4% due to decreases in the amount of tax revenues available for advance. Transportation fees decreased due to a decrease in the regional transportation of students. Investment earnings increased due to increases in interest rates.

	2006 <u>Expenditures</u>	2005 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Instruction	\$7,305,578	\$7,388,507	(\$82,929)
Supporting Services:			
Pupils	729,505	706,657	22,848
Instructional Staff	590,876	703,257	(112,381)
Board of Education	80,962	64,336	16,626
Administration	980,531	973,452	7,079
Fiscal Services	406,695	396,734	9,961
Business	140,369	158,277	(17,908)
Operation & Maintenance of Plant	865,116	825,307	39,809
Pupil Transportation	654,549	751,411	(96,862)
Central	280,784	282,074	(1,290)
Extracurricular Activities	264,265	267,384	(3,119)
Total	<u>\$12,299,230</u>	<u>\$12,517,396</u>	<u>(\$218,166)</u>

Overall, expenditures remained very stable, decreasing \$218,166 or less than 2% compared to the prior year. Expenditures for instructional staff decreased due to decreases in health insurance as well as a decrease in the number of aides. The decrease in health insurance can be attributed to the District's participation in a health insurance consortium. Decreases in transportation expenditures were the result of a decrease in the regional transportation of students.

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**

Unaudited

During the course of fiscal year 2006 the District amended its General Fund budget several times, none significant. For the General Fund, budget basis revenue of \$13 million was higher than original budget estimates of \$12.8 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the District had \$4,380,608 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$107,448	\$107,448	\$0
Construction in Progress	0	121,194	(121,194)
Land Improvements	448,852	323,408	125,444
Buildings and Improvements	4,222,343	4,138,626	83,717
Machinery and Equipment	2,072,414	2,131,947	(59,533)
Vehicles	1,279,113	1,186,713	92,400
Less: Accumulated Depreciation	(3,749,562)	(3,446,764)	(302,798)
Totals	\$4,380,608	\$4,562,572	(\$181,964)

The primary changes occurred in land improvements and vehicles. The increase in land improvements can be attributed to track improvements while bus purchases resulted in the increase in vehicles.

Additional information on the District's capital assets can be found in Note 7.

Debt

The following table summarizes the District's debt outstanding as of June 30, 2006:

	2006	2005
Governmental Activities:		
Capital Leases Payable	\$67,145	\$92,804
Compensated Absences	1,132,276	1,000,777
Totals	\$1,199,421	\$1,093,581

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2006, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

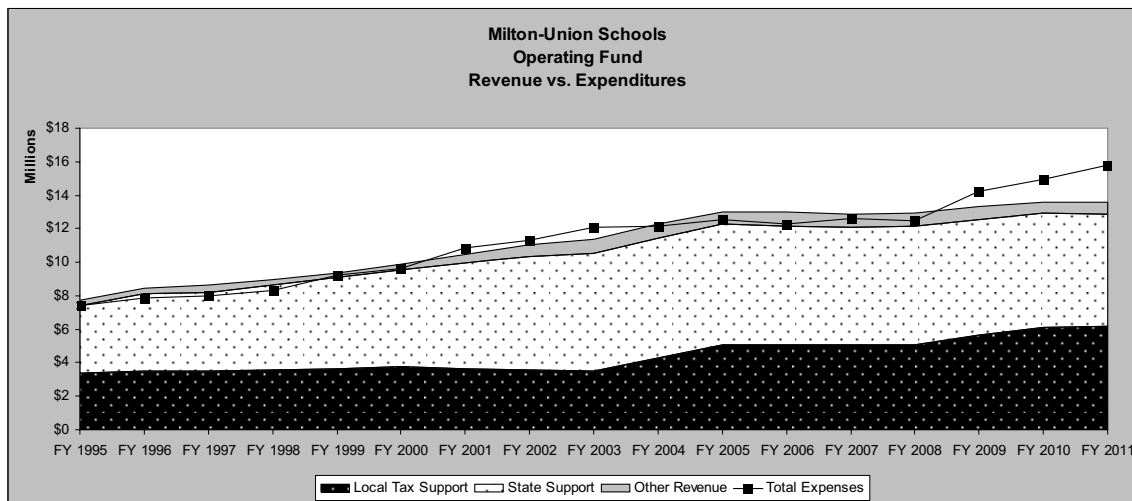
MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Unaudited

ECONOMIC FACTORS

Milton-Union Schools ended the 2005-06 school year with a \$3,571,526 General Fund cash balance. This represents about three and a half months of General Fund expenditures. This balance was possible due to the passage of a 10.9 mil levy in 2003. Milton-Union Schools had a positive cash flow of \$643,114 in 2005-06. Cash receipts totaled \$13,389,356 and cash disbursements totaled \$12,746,242.



Revenues:

Milton-Union's General Fund revenue increased by 0.99% over 2004-05 revenue.

The two largest sources of revenue are State Foundation/Reimbursements and local property taxes. State Foundation and Reimbursements make up 54% of total General Fund (operating) revenue. Revenues from state sources increased by \$209,496 over the previous year. However, state support is at approximately the same level as received during the 2003-04 school year. The decline in student enrollment was a major factor causing the decline in state funding. 2005-06 student enrollment declined by over 20 students when compared to the 2004-05 funding enrollment.

Milton-Union's second largest source (39%) of General Fund revenue is local Property Tax collections. Due to HB920, property tax collections, generally, remain relatively static unless new millage is passed. The exception to this general rule has been Tangible Personal Property Tax collections. The state legislature is phasing out the assessed value of Tangible Personal Property at the rate of 25% per year. The local taxes lost will be replaced by the state through 2010. After 2010, the reimbursement will be phased out through 2017.

Expenditures:

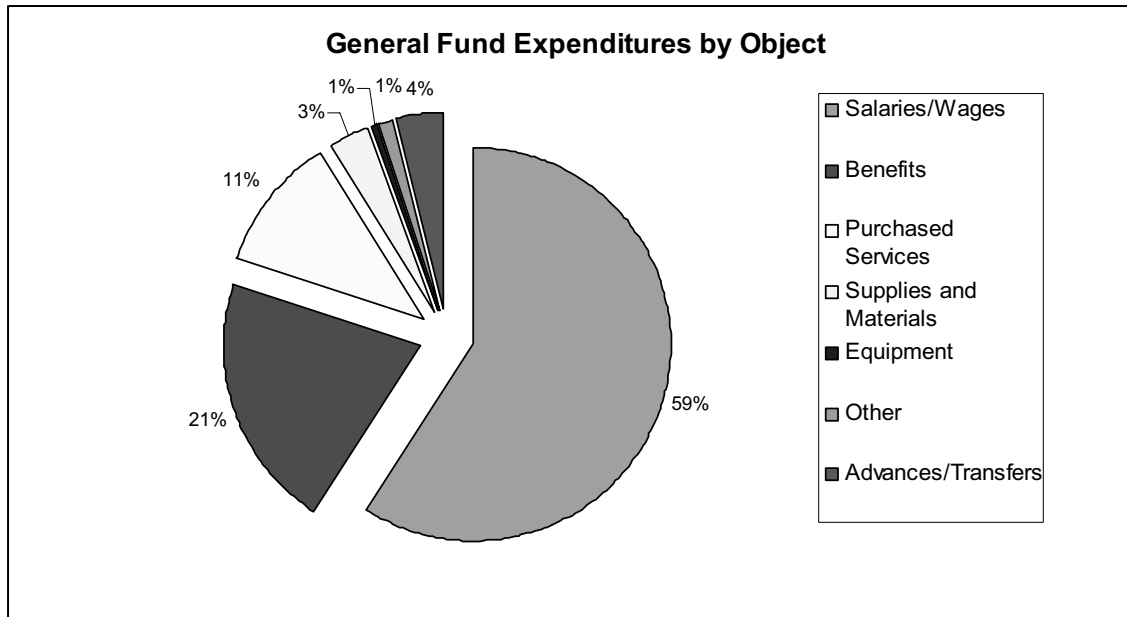
Total General Fund expenditures increased by 1.82% over 2004-2005. Approximately 83 percent of Milton-Union operating expenses in fiscal year 2006 were for salaries and benefits. The remaining 17 percent was spent on contracted services, supplies, equipment and other miscellaneous expenses. The Base Salary increased by 2% in FY06, but total salary expenditures decreased by 1% due to staff cuts. Benefit costs decreased 8.5 percent, in large part due to a change from self insurance to an insurance

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006*

Unaudited

consortium. Benefits decreased to approximately 35 percent of salaries. Contracted services expenditures increased by approximately \$60,000. Natural gas and electricity costs increased \$34,000. Supply and material expenditures increased by 22 percent. The district spent \$56,000 more on textbooks and \$17,000 in fuel. Equipment purchases decreased by 5% in 2005-06



Conclusion:

Milton-Union School District's revenues exceeded expenditures during fiscal year 2006. The district forecast indicates one more year of positive cash flow before the district begins deficit spending. Based on current trends the board would have a negative cash balance after June 2009. The board has placed a replacement with a reduction to 15 mils on the November 2006 levy in an attempt to raise additional funds. In addition, a 10.9 mil levy may first be placed on the ballot for renewal in November 2007. Management continues to review staffing and other expenditures. In conclusion, management faces significant financial challenges, but has committed itself to financial stability in the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Charles M. Klein, Treasurer of Milton-Union Exempted Village School District.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 1,841,966
Investments	2,465,083
Receivables:	
Taxes	5,409,623
Accounts	6,876
Intergovernmental	76,372
Interest	8,503
Inventory of Supplies at Cost	13,410
Prepaid Items	29,754
Restricted Assets:	
Cash and Cash Equivalents	31,485
Cash with Fiscal Agent	377
Non-Depreciable Capital Assets	107,448
Depreciable Capital Assets, Net	4,273,160
Total Assets	14,264,057
Liabilities:	
Accounts Payable	200,751
Accrued Wages and Benefits	1,251,408
Intergovernmental Payable	377,101
Unearned Revenue - Taxes	4,914,569
Long Term Liabilities:	
Due Within One Year	72,741
Due in More Than One Year	1,126,680
Total Liabilities	7,943,250
Net Assets:	
Invested in Capital Assets, Net of Related Debt	4,313,463
Restricted For:	
Capital Projects	332,258
Other Purposes	191,368
Unrestricted	1,483,718
Total Net Assets	\$ 6,320,807

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 8,273,100	\$ 713,850	\$ 455,185	\$ 0	\$ (7,104,065)
Support Services:					
Pupils	754,106	0	43,878	0	(710,228)
Instructional Staff	685,397	0	94,749	0	(590,648)
Board of Education	80,962	0	0	0	(80,962)
Administration	1,124,590	0	122,290	0	(1,002,300)
Fiscal Services	410,385	0	183	0	(410,202)
Business	120,393	0	0	0	(120,393)
Operation and Maintenance of Plant	783,221	0	0	0	(783,221)
Pupil Transportation	850,731	2,384	7,743	0	(840,604)
Central	428,135	0	14,475	17,024	(396,636)
Operation of Non-Instructional Services	510,864	328,184	219,132	0	36,452
Extracurricular Activities	494,894	164,418	1,632	0	(328,844)
Total Governmental Activities	<u>\$ 14,516,778</u>	<u>\$ 1,208,836</u>	<u>\$ 959,267</u>	<u>\$ 17,024</u>	<u>(12,331,651)</u>

General Revenues

Property Taxes Levied for:

General Purposes	5,060,982
Capital Outlay	344,579
Grants and Entitlements not Restricted to Specific Programs	7,083,008
Investment Earnings	172,299
Miscellaneous	100,196
Total General Revenues	<u>12,761,064</u>

Change in Net Assets 429,413

Net Assets Beginning of Year	5,891,394
Net Assets End of Year	<u>\$ 6,320,807</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 1,074,958	\$ 765,866	\$ 1,840,824
Investments	2,465,083	0	2,465,083
Receivables:			
Taxes	5,060,814	348,809	5,409,623
Accounts	6,815	61	6,876
Intergovernmental	22,854	53,518	76,372
Interest	8,296	207	8,503
Inventory of Supplies at Cost	10,069	3,341	13,410
Prepaid Items	24,033	5,721	29,754
Restricted Assets:			
Cash and Cash Equivalents	31,485	0	31,485
Cash with Fiscal Agent	0	377	377
Total Assets	<u>\$ 8,704,407</u>	<u>\$ 1,177,900</u>	<u>\$ 9,882,307</u>
Liabilities:			
Accounts Payable	76,237	124,514	200,751
Accrued Wages and Benefits	1,204,307	47,101	1,251,408
Intergovernmental Payable	350,713	26,388	377,101
Deferred Revenue - Taxes	4,644,243	320,445	4,964,688
Deferred Revenue	0	25,682	25,682
Total Liabilities	<u>6,275,500</u>	<u>544,130</u>	<u>6,819,630</u>
Fund Balances:			
Reserved for Encumbrances	71,832	103,556	175,388
Reserved for Prepaid Items	24,033	5,721	29,754
Reserved for Supplies Inventory	10,069	3,341	13,410
Reserved for Property Taxes	391,727	26,644	418,371
Reserved for Textbooks and Instructional Supplies	31,485	0	31,485
Unreserved, Undesignated in:			
General Fund	1,899,761	0	1,899,761
Special Revenue Funds	0	293,636	293,636
Capital Projects Funds	0	200,872	200,872
Total Fund Balances	<u>2,428,907</u>	<u>633,770</u>	<u>3,062,677</u>
Total Liabilities and Fund Balances	<u>\$ 8,704,407</u>	<u>\$ 1,177,900</u>	<u>\$ 9,882,307</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30,2006***

Total Governmental Fund Balances	\$ 3,062,677
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	4,380,608
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	75,801
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,142
Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,199,421)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 6,320,807</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30,2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local Sources:			
Taxes	\$ 5,102,570	\$ 347,246	\$ 5,449,816
Tuition	617,141	96,709	713,850
Transportation Fees	2,384	0	2,384
Investment Earnings	170,963	1,336	172,299
Extracurricular Activities	0	164,418	164,418
Food Services	0	328,184	328,184
Intergovernmental - State	7,062,596	118,178	7,180,774
Intergovernmental - Federal	12,735	850,221	862,956
All Other Revenue	50,390	44,240	94,630
Total Revenue	<u>13,018,779</u>	<u>1,950,532</u>	<u>14,969,311</u>
Expenditures:			
Current:			
Instruction	7,305,578	482,569	7,788,147
Supporting Services:			
Pupils	729,505	12,451	741,956
Instructional Staff	590,876	92,500	683,376
Board of Education	80,962	0	80,962
Administration	980,531	126,899	1,107,430
Fiscal Services	406,695	6,564	413,259
Business	140,369	0	140,369
Operation and Maintenance of Plant	865,116	5,080	870,196
Pupil Transportation	654,549	115,054	769,603
Central	280,784	148,780	429,564
Operation of Non-Instructional Services	0	503,464	503,464
Extracurricular Activities	264,265	173,498	437,763
Capital Outlay	0	201,708	201,708
Total Expenditures	<u>12,299,230</u>	<u>1,868,567</u>	<u>14,167,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	719,549	81,965	801,514

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):			
Other Financing Sources - Capital Lease	4,100	0	4,100
Transfers In	0	126,688	126,688
Transfers Out	(126,688)	0	(126,688)
Refund of Prior Year Expenditures	9,648	1,061	10,709
Refund of Prior Year Receipts	<u>(2,300)</u>	<u>(2,843)</u>	<u>(5,143)</u>
Total Other Financing Sources (Uses)	<u>(115,240)</u>	<u>124,906</u>	<u>9,666</u>
Net Change in Fund Balance	604,309	206,871	811,180
Fund Balance at Beginning of Year	1,834,050	428,069	2,262,119
Decrease in Inventory Reserve	<u>(9,452)</u>	<u>(1,170)</u>	<u>(10,622)</u>
Fund Balance End of Year	<u>\$ 2,428,907</u>	<u>\$ 633,770</u>	<u>\$ 3,062,677</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended June 30,2006***

Net Change in Fund Balances - Total Governmental Funds \$ 811,180

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (154,641)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (27,323)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (39,308)

The issuance of capital leases provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 25,659

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (131,499)

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (54,655)

Change in Net Assets of Governmental Activities \$ 429,413

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 5,079,023	\$ 5,098,554	\$ 5,098,554	\$ 0
Tuition	563,605	592,399	600,034	7,635
Transportation Fees	105,000	14,069	14,069	0
Investment Earnings	90,000	159,000	167,484	8,484
Intergovernmental - State	6,971,211	7,058,754	7,062,596	3,842
Intergovernmental - Federal	6,600	13,470	12,785	(685)
All Other Revenues	9,000	7,721	51,365	43,644
Total Revenues	<u>12,824,439</u>	<u>12,943,967</u>	<u>13,006,887</u>	<u>62,920</u>
Expenditures:				
Current:				
Instructional Services:				
Regular	6,106,046	6,114,820	5,984,938	129,882
Special	1,089,700	1,107,148	1,027,485	79,663
Vocational	288,091	251,012	242,168	8,844
Other	78,733	78,998	69,167	9,831
Support Services:				
Pupils	716,298	766,985	737,691	29,294
Instructional Staff	640,468	647,060	611,089	35,971
Board of Education	79,621	109,782	101,316	8,466
Administration	946,618	992,895	968,453	24,442
Fiscal Services	399,183	433,771	405,507	28,264
Business	111,244	139,871	138,916	955
Operation and Maintenance of Plant	855,524	940,494	889,196	51,298
Pupil Transportation	674,897	696,922	679,607	17,315
Central	281,089	285,860	282,839	3,021
Extracurricular Activities	276,901	266,391	265,969	422
Total Expenditures	<u>12,544,413</u>	<u>12,832,009</u>	<u>12,404,341</u>	<u>427,668</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	280,026	111,958	602,546	490,588
Other Financing Sources (Uses):				
Transfers In	0	366,991	366,991	0
Transfers Out	(32,000)	(492,925)	(492,925)	0
Advances In	0	7,424	7,424	0
Refund of Prior Year's Expenditures	4,530	7,741	8,045	304
Refund of Prior Year's Receipts	(400)	(2,900)	(2,300)	600
Total Other Financing Sources (Uses):	<u>(27,870)</u>	<u>(113,669)</u>	<u>(112,765)</u>	<u>904</u>
Net Change in Fund Balance	252,156	(1,711)	489,781	491,492
Fund Balance at Beginning of Year	2,716,460	2,716,460	2,716,460	0
Prior Year Encumbrances	211,963	211,963	211,963	0
Fund Balance at End of Year	<u>\$ 3,180,579</u>	<u>\$ 2,926,712</u>	<u>\$ 3,418,204</u>	<u>\$ 491,492</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Fund Net Assets
Proprietary Fund
June 30, 2006

	Governmental Activities - Internal Service Fund
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,142
Total Assets	<u>1,142</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Assets:	
Unrestricted	1,142
Total Net Assets	<u>\$ 1,142</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30,2006

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Services	\$ 559
Total Operating Revenues	<u>559</u>
Operating Expenses:	
Contractual Services	<u>55,214</u>
Total Operating Expenses	<u>55,214</u>
Change in Net Assets	(54,655)
Net Assets Beginning of Year	<u>55,797</u>
Net Assets End of Year	<u>\$ 1,142</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2006

	Governmental Activities Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$559
Cash Payments for Goods and Services	<u>(89,686)</u>
Net Cash Used by Operating Activities	<u>(89,127)</u>
Net Decrease in Cash and Cash Equivalents	(89,127)
Cash and Cash Equivalents at Beginning of Year	<u>90,269</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,142</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$54,655)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	54,078
Decrease in Claims Payable	<u>(88,550)</u>
Total Adjustments	<u>(34,472)</u>
Net Cash Used by Operating Activities	<u><u>(\$89,127)</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust		
	Special Trust Fund	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 9,325	\$ 44,297	\$ 53,622
Investments	51,138	0	51,138
Receivables:			
Accounts	2,394	0	2,394
Total Assets	<u>62,857</u>	<u>44,297</u>	<u>107,154</u>
Liabilities:			
Due to Others	0	2,898	2,898
Due to Students	0	41,399	41,399
Total Liabilities	<u>0</u>	<u>44,297</u>	<u>44,297</u>
Net Assets:			
Unrestricted	62,857	0	62,857
Total Net Assets	<u>\$ 62,857</u>	<u>\$ 0</u>	<u>\$ 62,857</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
	<u>Special Trust Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 9,454
Total Contributions	<u>9,454</u>
Investment Earnings:	
Interest	783
Total Additions	<u>10,237</u>
Deductions:	
Administrative Expenses	958
Community Gifts, Awards and Scholarships	<u>6,000</u>
Total Deductions	<u>6,958</u>
Change in Net Assets	3,279
Net Assets at Beginning of Year	<u>59,578</u>
Net Assets End of Year	<u><u>\$ 62,857</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Milton-Union Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," which requires that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on the District. There were no potential component units that met the criteria imposed by GASB 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/ expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's only major governmental fund:

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Proprietary Funds - The proprietary funds are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. Employee medical benefits are provided by the District’s internal service fund to other District departments on a cost reimbursement basis.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District’s only trust fund is a private purpose trust that accounts for scholarship programs for students. The agency fund accounts for student managed activities, is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

C. Basis of Presentation and Measurement Focus – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at fiscal year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Property taxes measurable as of June 30, 2006, but which are not intended to finance fiscal year 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

Non-exchange transactions, in which the 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. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 appropriation resolution are subject to amendment throughout the year.

All funds, other than the agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the function level within the General Fund and at the fund level in all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20th of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2006.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1st of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1st of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the function level for the General Fund and at the fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations (Continued)

the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$604,309
Increase (Decrease):	
Accrued Revenues at June 30, 2006, received during FY 2007	(454,536)
Accrued Revenues at June 30, 2005, received during FY 2006	445,187
Accrued Expenditures at June 30, 2006, paid during FY 2007	1,631,257
Accrued Expenditures at June 30, 2005, paid during FY 2006	(1,589,697)
FY 2005 Prepays for FY 2006	30,616
FY 2006 Prepays for FY 2007	(24,033)
Encumbrances Outstanding	(153,322)
Budget Basis	<u>\$489,781</u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 3, "Cash, Cash Equivalents and Investments."

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The District has invested funds in the STAR Ohio during 2006. 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, 2006. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds 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.

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined in 1994 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets, except land, are depreciated. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives (in years)</u>
Land Improvements	5-7
Buildings and Improvements	20 - 50
Machinery, Equipment, Furniture and Fixtures	4 - 20
Vehicles	3 - 6
Buses	10

J. Long-Term Obligations

Long-Term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund, Food Services Fund
Capital Leases	Permanent Improvement Fund

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," compensated absences are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Vacation may accumulate up to a maximum of one and one half times the employee's annual vacation allowance. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year. Upon retirement, employees will receive one-third of the accumulated sick leave up to a maximum of 55 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

L. Net Assets

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

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

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Restricted Assets

Restricted assets represent cash and cash equivalents set aside to establish reserves for textbooks. These reserves are required by state statute.

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies, prepaid items, budget stabilization, and encumbered amounts which have not been accrued at fiscal year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under state statute.

Q. 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.

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits – The fund deficit at June 30, 2006 of \$6 in the Entry Year Program Fund (special revenue) arises from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2006

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end the carrying amount of the District's deposits was \$1,423,739 and the bank balance was \$1,494,098. Federal depository insurance covered \$794,000 of the bank balance. The remaining balance of \$700,098 was collateralized with securities held by the pledging institution but not in the name of the District and therefore was subject to custodial credit risk.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2006 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
Repurchase Agreements	\$205,000	N/A	\$205,000	\$0	\$0
STAR Ohio	1,050,885	AAAm ¹	1,050,885	0	0
FNMA	202,604	AAA ^{1,2}	0	202,604	0
FHLB	1,461,176	AAA ^{1,2}	150,676	1,010,500	300,000
FHLMC	100,267	AAA ^{1,2}	0	100,267	0
Total Investments	<u>\$3,019,932</u>		<u>\$1,406,561</u>	<u>\$1,313,371</u>	<u>\$300,000</u>

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 6.7% are FNMA, 48.4% are FHLB, and 3.3% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$1,927,450	\$2,516,221
Certificates of Deposit (with maturities of more than 3 months)	752,174	(752,174)
Repurchase Agreements	(205,000)	205,000
STAR Ohio	<u>(1,050,885)</u>	<u>1,050,885</u>
Per GASB Statement No. 3	<u>\$1,423,739</u>	<u>\$3,019,932</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the District. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2001. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Milton-Union Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected.

The assessed value upon which the fiscal year 2006 receipts were based are:

	2005 Second Half Collections	2006 First Half Collections
Agricultural/Residential and Other Real Estate	\$153,505,160	\$155,515,140
Public Utility Personal	7,743,930	7,749,400
Tangible Personal Property	5,118,180	4,159,550
Total Assessed Value	<u>\$166,367,270</u>	<u>\$167,424,090</u>
Tax rate per \$1,000 of assessed valuation	\$69.38	\$69.38

NOTE 5 - RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for the fiscal year 2006:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$126,688
Other Governmental Funds	126,688	0
Total All Funds	<u>\$126,688</u>	<u>\$126,688</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2006:

Historical Cost:

Class	June 30, 2005	Additions	Deletions	June 30, 2006
Capital assets not being depreciated:				
Land	\$107,448	\$0	\$0	\$107,448
Construction in Progress	121,194	0	(121,194)	0
	<u>228,642</u>	<u>0</u>	<u>(121,194)</u>	<u>107,448</u>
Capital assets being depreciated:				
Land Improvements	323,408	125,444	0	448,852
Buildings and Improvements	4,138,626	83,717	0	4,222,343
Machinery and Equipment	2,131,947	65,103	(124,636)	2,072,414
Vehicles	1,186,713	120,900	(28,500)	1,279,113
	<u>7,780,694</u>	<u>395,164</u>	<u>(153,136)</u>	<u>8,022,722</u>
Total Cost	<u>\$8,009,336</u>	<u>\$395,164</u>	<u>(\$274,330)</u>	<u>\$8,130,170</u>

Accumulated Depreciation:

Class	June 30, 2005	Additions	Deletions	June 30, 2006
Land Improvements	(\$118,684)	(\$22,727)	\$0	(\$141,411)
Buildings and Improvements	(1,612,823)	(131,029)	0	(1,743,852)
Machinery and Equipment	(1,276,182)	(201,058)	116,176	(1,361,064)
Vehicles	(439,075)	(73,797)	9,637	(503,235)
Total Depreciation	<u>(\$3,446,764)</u>	<u>(\$428,611) *</u>	<u>\$125,813</u>	<u>(\$3,749,562)</u>
Net Value:	<u>\$4,562,572</u>			<u>\$4,380,608</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 7 - CAPITAL ASSETS (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$212,115
Support Services:	
Pupils	4,648
Instructional Staff	13,137
Administration	10,957
Fiscal	3,339
Business	430
Operations & Maintenance of Plant	22,104
Pupil Transportation	80,367
Central	15,177
Operation of Non-Instructional Services	10,292
Extracurricular Activities	56,045
Total Depreciation Expense	<u>\$428,611</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2006, 10.58% was allocated to fund the pension benefit and 3.42% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2006, 2005, and 2004 were \$274,224, \$268,788, and \$256,896, respectively, which were equal to the required contributions for each year.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System of Ohio (SERS of Ohio) (Continued)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. The portion of the 2006 employer contribution rate that was used to fund health care was 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount contributed to fund health care benefits, including the surcharge amounted to \$104,717.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ended June 30, 2006 were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2006 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2006, 2005, and 2004 were \$874,464, \$857,892, and \$841,356, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2005, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Stabilization Fund, which amounted to \$62,462 for the District. The balance of the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, the net health care costs paid by STRS were \$254,780,000. There were 115,395 eligible benefit recipients.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Detail of the changes in the capital leases and compensated absences of the District for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006	Amount Due Within One Year
Governmental Activities:					
Capital Leases Payable	\$92,804	\$4,100	(\$29,759)	\$67,145	\$33,177
Compensated Absences	1,000,777	1,132,276	(1,000,777)	1,132,276	39,564
Total Governmental Activities	<u>\$1,093,581</u>	<u>\$1,136,376</u>	<u>(\$1,030,536)</u>	<u>\$1,199,421</u>	<u>\$72,741</u>

NOTE 10 - CAPITALIZED LEASE

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The original cost of the assets under capital lease was \$151,519.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2006:

Year Ending June 30,	Capital Lease
2007	\$38,102
2008	30,894
2009	4,223
2010	1,035
Minimum Lease Payments	74,254
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(7,109)</u>
Present Value of minimum lease payments	<u>\$67,145</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2006, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2005	\$14,029	\$0	\$14,029
Current Year Set-Aside Requirement	247,448	247,448	494,896
Current Year Offset Credits	0	(455,376)	(455,376)
Qualifying Disbursements	(229,992)	(49,326)	(279,318)
Total	<u>\$31,485</u>	<u>(\$257,254)</u>	<u>(\$225,769)</u>
Cash Balance Carried Forward to FY 2007	<u>\$31,485</u>	<u>\$0</u>	<u>\$31,485</u>
Amount Restricted for Textbook Reserve			<u>\$31,485</u>
Total Restricted Assets			<u>\$31,485</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

NOTE 12 – RELATED ORGANIZATION

The Milton-Union Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Milton-Union Exempted Village School District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Milton-Union Public Library, Jerry Kohl, Clerk/Treasurer, at 560 South Main Street, West Milton, Ohio 45383.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 13- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2006 the District contracted with Ohio School Plan for insurance coverage, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Property, General Liability, and Errors & Omissions	\$2,500

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

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

OASBO Sheakley Workers' Compensation Group Rating Plan – The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The School District has maintained a limited medical insurance program for employees since fiscal year 2000. Premiums are paid to a third party administrator, Heller Associates Inc. The claims are processed by the third party administrator and monitored by the School District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. As of July 1, 2005, the District is no longer maintaining a self insurance program.

Claims liabilities reported in the fund are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2006 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2005	\$170,000	\$2,062,533	(\$2,143,983)	\$88,550
2006	88,550	112,795	(201,345)	0

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 13- RISK MANAGEMENT (Continued)

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General fund. During fiscal year 2006, the District paid \$72,118 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public service representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2006, the District paid \$2,521 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2006, the District paid no monies to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

B. Litigation

There were currently no matters in litigation with the District as defendant.

Milton-Union Exempted Village School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Food Distribution Program	n/a	10.550	\$ 43,033	\$ 43,033
Nutritional Cluster:				
National School Breakfast Program	05-PU	10.553	13,000	13,000
National School Lunch Program	04-PU	10.555	<u>152,951</u>	<u>152,951</u>
Total Nutrition Cluster			<u>165,951</u>	<u>165,951</u>
Total U.S. Department of Agriculture			<u>208,984</u>	<u>208,984</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	183,634	173,490
Special Education Cluster:				
Special Education Grant	6B-SF/6B-SD	84.027	364,544	363,595
Special Education - Preschool Grant	PG-S1	84.173	<u>4,627</u>	<u>4,627</u>
Total Special Education Cluster			<u>369,171</u>	<u>368,222</u>
Drug-Free Schools Grant	DR-S1	84.186	9,153	10,113
Innovative Educational Program Strategies	C2-S1	84.298	4,694	5,200
Technology Literacy Challenge Grant	TJ-S1	84.318	8,387	8,153
Improving Teacher Quality Grant	TR-S1	84.367	67,658	63,411
<i>Passed Through Ohio Schools Facilities Commission</i>				
State Improvement Grant	n/a	84.323	<u>9,290</u>	<u>1,932</u>
Total U.S. Department of Education			<u>651,987</u>	<u>630,521</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of MRDD</i>				
State Childrens Insurance Program	n/a	93.767	468	468
Medical Assistance Program	n/a	93.778	<u>6,689</u>	<u>6,689</u>
Total U.S. Department of Health and Human Services			<u>7,157</u>	<u>7,157</u>
TOTAL FEDERAL AWARDS			<u>\$ 868,128</u>	<u>\$ 846,662</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Milton-Union Exempted Village School District. This schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006 the District had no significant food commodities in inventory.



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Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Education
Milton-Union Exempted Village School District
112 South Spring Street
West Milton, OH 45383

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2006



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

Board of Education
Milton-Union Exempted Village School District
112 South Spring Street
West Milton, OH 45383

Compliance

We have audited the compliance of Milton-Union Exempted Village School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Milton-Union Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 solely for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
December 21, 2006

Milton-Union Exempted Village School District
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster:</u> CFDA #84.027 – Special Education Grant CFDA #84.173 – Special Education Preschool Grant <u>Nutrition Cluster:</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – School Lunch Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

None

Milton-Union Exempted Village School District
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Explanation of Correction
2005-001	The District was unable to obtain a SAS 70 report from its third party administrator documenting the internal controls and procedures used to process health insurance claims.	YES	Effective July 1, 2005 the District discontinued its self-insurance health care program.



Mary Taylor, CPA
Auditor of State

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI 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
APRIL 17, 2007