



**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

SINGLE AUDIT

JULY 1, 2000 THROUGH JUNE 30, 2001



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Milton-Union Exempted Village School District
Miami County
112 South Spring Street
West Milton, Ohio 45383

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Milton-Union Exempted Village School District, Miami County, ("the District") as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Insurance claims reported in the internal service self insurance fund are processed by a service organization that is independent of the District. The service organization did not provide us with evidence we requested regarding the design or proper operation of its internal control relative to the processing of the District's health insurance claim transactions. We were unable to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 100% of the expenses and 45% of the accrued liabilities for the Internal Service Fund Type.

In our opinion, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to examine the evidence regarding health insurance claims, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Milton-Union Exempted Village School District, Miami County, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 4, 2001

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
<i>Assets:</i>				
Cash and Cash Equivalents	\$705,693	\$166,399	\$262	\$424,399
Investments	2,172,952	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	3,566,003	0	0	351,363
Accounts	7,299	110	0	0
Interest	12,449	0	0	0
Intergovernmental	0	59,191	0	0
Interfund Loan Receivable	365,000	0	0	0
Inventory of Supplies at Cost	13,505	0	0	0
Prepaid Items	20,230	1,476	0	0
Restricted Assets:				
Cash with Fiscal Agent	0	1,127	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$6,863,131	\$228,303	\$262	\$775,762
Liabilities, Equity and Other Credits:				
<i>Liabilities:</i>				
Accounts Payable	\$58,560	\$11,068	\$0	\$6,124
Accrued Wages and Benefits	997,896	37,029	0	0
Interfund Loan Payable	0	0	0	265,000
Intergovernmental Payables	198,017	5,153	0	0
Due to Students	0	0	0	0
Due to Others	0	0	0	0
Claims Payable	0	0	0	0
Deferred Revenue - Taxes	3,361,594	0	0	332,660
Deferred Revenue	0	42,708	0	0
Capital Lease Payable	0	0	0	0
Compensated Absences Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	4,616,067	95,958	0	603,784
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	71,300	17,947	0	47,457
Reserved for Property Taxes	199,631	0	0	18,200
Reserved for Inventory of Supplies	13,505	0	0	0
Reserved for Prepaid Items	20,230	1,476	0	0
Reserved for Debt Service	0	0	262	0
Unreserved:				
Undesignated	1,942,398	112,922	0	106,321
Total Equity and Other Credits	2,247,064	132,345	262	171,978
Total Liabilities, Equity and Other Credits	\$6,863,131	\$228,303	\$262	\$775,762

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$68,674	\$90,136	\$68,124	\$0	\$0	\$1,523,687
0	0	34,156	0	0	2,207,108
0	0	0	0	0	3,917,366
304	0	0	0	0	7,713
0	0	931	0	0	13,380
0	0	0	0	0	59,191
0	0	0	0	0	365,000
7,591	0	0	0	0	21,096
3,730	0	0	0	0	25,436
0	0	0	0	0	1,127
36,527	0	0	6,670,760	0	6,707,287
0	0	0	0	262	262
0	0	0	0	1,280,071	1,280,071
<u>\$116,826</u>	<u>\$90,136</u>	<u>\$103,211</u>	<u>\$6,670,760</u>	<u>\$1,280,333</u>	<u>\$16,128,724</u>
\$1,465	\$0	\$133	\$0	\$0	\$77,350
31,650	0	0	0	0	1,066,575
0	100,000	0	0	0	365,000
28,095	0	0	0	94,163	325,428
0	0	36,916	0	0	36,916
0	0	2,795	0	0	2,795
0	80,577	0	0	0	80,577
0	0	0	0	0	3,694,254
2,996	0	0	0	0	45,704
0	0	0	0	86,383	86,383
17,982	0	0	0	869,787	887,769
0	0	0	0	230,000	230,000
82,188	180,577	39,844	0	1,280,333	6,898,751
0	0	0	6,670,760	0	6,670,760
34,638	(90,441)	0	0	0	(55,803)
0	0	0	0	0	136,704
0	0	0	0	0	217,831
0	0	0	0	0	13,505
0	0	0	0	0	21,706
0	0	0	0	0	262
0	0	63,367	0	0	2,225,008
34,638	(90,441)	63,367	6,670,760	0	9,229,973
<u>\$116,826</u>	<u>\$90,136</u>	<u>\$103,211</u>	<u>\$6,670,760</u>	<u>\$1,280,333</u>	<u>\$16,128,724</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
<i>Local Sources:</i>						
Taxes	\$3,667,240	\$0	\$0	\$357,766	\$0	\$4,025,006
Tuition	114,579	0	0	0	0	114,579
Transportation Fees	95,734	0	0	0	0	95,734
Investment Earnings	245,396	0	0	0	2,318	247,714
Extracurricular Activities	0	174,693	0	0	0	174,693
Intergovernmental - State	6,299,371	129,080	0	151,459	0	6,579,910
Intergovernmental - Federal	2,841	350,700	0	0	0	353,541
All Other Revenues	39,690	3,026	0	0	10,560	53,276
Total Revenues	10,464,851	657,499	0	509,225	12,878	11,644,453
Expenditures:						
<i>Current:</i>						
Instruction	6,148,695	331,740	0	0	0	6,480,435
<i>Supporting Services:</i>						
Pupils	690,624	14,073	0	0	7,500	712,197
Instructional Staff	522,249	76,535	0	0	0	598,784
Board of Education	54,295	0	0	0	0	54,295
Administration	880,479	78,826	0	0	0	959,305
Fiscal Services	304,076	8,930	0	6,337	0	319,343
Business	121,028	0	0	0	0	121,028
Operation and Maintenance of Plant	707,889	0	0	0	67	707,956
Pupil Transportation	652,355	1,000	0	82,736	0	736,091
Central	232,110	1,566	0	0	0	233,676
Extracurricular Activities	190,296	180,092	0	0	0	370,388
Capital Outlay	9,978	0	0	625,954	0	635,932
<i>Debt Service:</i>						
Principal Retirement	0	0	90,892	0	0	90,892
Interest and Fiscal Charges	0	0	19,603	0	0	19,603
Total Expenditures	10,514,074	692,762	110,495	715,027	7,567	12,039,925
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(49,223)	(35,263)	(110,495)	(205,802)	5,311	(395,472)
Other Financing Sources (Uses):						
Operating Transfers In	0	0	110,504	265,584	0	376,088
Operating Transfers Out	(376,088)	0	0	0	0	(376,088)
Refund of Prior Year's Expenditures	17,054	4,406	0	0	0	21,460
Total Other Financing Sources (Uses)	(359,034)	4,406	110,504	265,584	0	21,460
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(408,257)	(30,857)	9	59,782	5,311	(374,012)
Fund Balance Beginning of Year	2,658,365	163,202	253	112,196	58,056	2,992,072
Decrease in Inventory Reserve	(3,044)	0	0	0	0	(3,044)
Fund Balance End of Year	\$2,247,064	\$132,345	\$262	\$171,978	\$63,367	\$2,615,016

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$3,664,846	\$3,642,677	(\$22,169)	\$0	\$0	\$0
Tuition	90,619	114,579	23,960	0	0	0
Transportation Fees	93,800	95,734	1,934	0	0	0
Investment Earnings	235,000	253,362	18,362	0	0	0
Extracurricular Activities	0	0	0	153,839	175,137	21,298
Class Materials and Fees	4,750	0	(4,750)	0	0	0
Intergovernmental - State	6,268,332	6,301,021	32,689	169,126	112,597	(56,529)
Intergovernmental - Federal	1,430	2,841	1,411	357,572	356,881	(691)
All Other Revenues	34,098	35,405	1,307	3,026	3,026	0
Total Revenues	<u>10,392,875</u>	<u>10,445,619</u>	<u>52,744</u>	<u>683,563</u>	<u>647,641</u>	<u>(35,922)</u>
Expenditures:						
Current:						
Instruction	6,355,867	6,190,616	165,251	342,387	324,995	17,392
Supporting Services:						
Pupils	762,214	713,224	48,990	18,631	16,044	2,587
Instructional Staff	534,952	526,293	8,659	72,856	70,800	2,056
Board of Education	77,254	55,876	21,378	0	0	0
Administration	858,815	833,493	25,322	78,845	78,845	0
Fiscal Services	320,194	312,605	7,589	8,726	8,726	0
Business	124,905	123,807	1,098	0	0	0
Operation and Maintenance of Plant	763,897	756,009	7,888	0	0	0
Pupil Transportation	664,608	659,996	4,612	1,000	1,000	0
Central	238,590	230,469	8,121	65,566	1,566	64,000
Extracurricular Activities	207,816	192,836	14,980	192,439	170,455	21,984
Capital Outlay	9,978	9,978	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>10,919,090</u>	<u>10,605,202</u>	<u>313,888</u>	<u>780,450</u>	<u>672,431</u>	<u>108,019</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(526,215)	(159,583)	366,632	(96,887)	(24,790)	72,097
Other Financing Sources (Uses):						
Refunds of Prior Years' Expenditures	26,559	25,179	(1,380)	4,406	4,406	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(376,088)	(376,088)	0	0	0	0
Advances In	350,000	350,000	0	0	0	0
Advances Out	(115,000)	(115,000)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(114,529)</u>	<u>(115,909)</u>	<u>(1,380)</u>	<u>4,406</u>	<u>4,406</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(640,744)	(275,492)	365,252	(92,481)	(20,384)	72,097
Fund Balance at Beginning of Year	2,900,476	2,900,476	0	161,362	161,362	0
Prior Year Encumbrances	117,990	117,990	0	10,226	10,226	0
Fund Balance at End of Year	<u>\$2,377,722</u>	<u>\$2,742,974</u>	<u>\$365,252</u>	<u>\$79,107</u>	<u>\$151,204</u>	<u>\$72,097</u>

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

(Continued)

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Debt Service Fund</u>			<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:						
Local Sources:						
Taxes	\$0	\$0	\$0	\$357,751	\$355,579	(\$2,172)
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Class Materials and Fees	0	0	0	0	0	0
Intergovernmental - State	0	0	0	151,558	151,459	(99)
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	300	0	(300)
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>509,609</u>	<u>507,038</u>	<u>(2,571)</u>
Expenditures:						
Current:						
Instruction	0	0	0	0	0	0
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	6,700	6,337	363
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	133,772	82,736	51,036
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	834,003	783,059	50,944
Debt Service:						
Principal Retirement	90,892	90,892	0	0	0	0
Interest and Fiscal Charges	19,613	19,603	10	0	0	0
Total Expenditures	<u>110,505</u>	<u>110,495</u>	<u>10</u>	<u>974,475</u>	<u>872,132</u>	<u>102,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,505)	(110,495)	10	(464,866)	(365,094)	99,772
Other Financing Sources (Uses):						
Refunds of Prior Years' Expenditures	0	0	0	0	0	0
Operating Transfers In	115,000	110,504	(4,496)	265,584	265,584	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	15,000	15,000	0
Advances Out	0	0	0	(250,000)	(250,000)	0
Total Other Financing Sources (Uses)	<u>115,000</u>	<u>110,504</u>	<u>(4,496)</u>	<u>30,584</u>	<u>30,584</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,495	9	(4,486)	(434,282)	(334,510)	99,772
Fund Balance at Beginning of Year	253	253	0	68,558	68,558	0
Prior Year Encumbrances	0	0	0	636,770	636,770	0
Fund Balance at End of Year	<u>\$4,748</u>	<u>\$262</u>	<u>(\$4,486)</u>	<u>\$271,046</u>	<u>\$370,818</u>	<u>\$99,772</u>

(Continued)

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Totals (Memorandum Only)</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Local Sources:			
Taxes	\$4,022,597	\$3,998,256	(\$24,341)
Tuition	90,619	114,579	23,960
Transportation Fees	93,800	95,734	1,934
Investment Earnings	235,000	253,362	18,362
Extracurricular Activities	153,839	175,137	21,298
Class Materials and Fees	4,750	0	(4,750)
Intergovernmental - State	6,589,016	6,565,077	(23,939)
Intergovernmental - Federal	359,002	359,722	720
All Other Revenues	37,424	38,431	1,007
Total Revenues	<u>11,586,047</u>	<u>11,600,298</u>	<u>14,251</u>
<u>Expenditures:</u>			
Current:			
Instruction	6,698,254	6,515,611	182,643
Supporting Services:			
Pupils	780,845	729,268	51,577
Instructional Staff	607,808	597,093	10,715
Board of Education	77,254	55,876	21,378
Administration	937,660	912,338	25,322
Fiscal Services	335,620	327,668	7,952
Business	124,905	123,807	1,098
Operation and Maintenance of Plant	763,897	756,009	7,888
Pupil Transportation	799,380	743,732	55,648
Central	304,156	232,035	72,121
Extracurricular Activities	400,255	363,291	36,964
Capital Outlay	843,981	793,037	50,944
Debt Service:			
Principal Retirement	90,892	90,892	0
Interest and Fiscal Charges	19,613	19,603	10
Total Expenditures	<u>12,784,520</u>	<u>12,260,260</u>	<u>524,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,198,473)	(659,962)	538,511
<u>Other Financing Sources (Uses):</u>			
Refunds of Prior Years' Expenditures	30,965	29,585	(1,380)
Operating Transfers In	380,584	376,088	(4,496)
Operating Transfers Out	(376,088)	(376,088)	0
Advances In	365,000	365,000	0
Advances Out	(365,000)	(365,000)	0
Total Other Financing Sources (Uses)	<u>35,461</u>	<u>29,585</u>	<u>(5,876)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,163,012)	(630,377)	532,635
Fund Balance at Beginning of Year	3,130,649	3,130,649	0
Prior Year Encumbrances	764,986	764,986	0
Fund Balance at End of Year	<u>\$2,732,623</u>	<u>\$3,265,258</u>	<u>\$532,635</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Tuition and Fees	\$96,207	\$0	\$96,207
Sales	365,432	0	365,432
Other Operating Revenues	11,270	1,244,718	1,255,988
Total Operating Revenues	<u>472,909</u>	<u>1,244,718</u>	<u>1,717,627</u>
<u>Operating Expenses:</u>			
Salaries and Wages	151,982	0	151,982
Fringe Benefits	82,144	0	82,144
Contractual Services	8,164	1,208,846	1,217,010
Materials and Supplies	342,882	0	342,882
Depreciation	4,358	0	4,358
Total Operating Expenses	<u>589,530</u>	<u>1,208,846</u>	<u>1,798,376</u>
Operating Income (Loss)	(116,621)	35,872	(80,749)
<u>Nonoperating Revenues:</u>			
Operating Grants	98,691	0	98,691
Federally Donated Commodities	23,875	0	23,875
Investment Earnings	1,889	0	1,889
Refund of Prior Year's Expenses	342	0	342
Total Nonoperating Revenues	<u>124,797</u>	<u>0</u>	<u>124,797</u>
Net Income	8,176	35,872	44,048
Restated Retained Earnings (Deficit) at Beginning of Year	<u>26,462</u>	<u>(126,313)</u>	<u>(99,851)</u>
Retained Earnings (Deficit) at End of Year	<u><u>\$34,638</u></u>	<u><u>(\$90,441)</u></u>	<u><u>(\$55,803)</u></u>

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$376,856	\$0	\$376,856
Cash Received from Tuition and Fee Payments	96,091	0	96,091
Cash Received from Interfund Charges	0	1,244,718	1,244,718
Cash Payments for Goods and Services	(331,508)	(1,188,738)	(1,520,246)
Cash Payments to Employees for Services and Benefits	(241,133)	0	(241,133)
Net Cash Provided (Used) by Operating Activities	<u>(99,694)</u>	<u>55,980</u>	<u>(43,714)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies Received	98,691	0	98,691
Advances In from Other Funds	0	100,000	100,000
Advances Out to Other Funds	0	(100,000)	(100,000)
Net Cash Provided by Noncapital Financing Activities	<u>98,691</u>	<u>0</u>	<u>98,691</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(695)	0	(695)
Net Cash Used for Capital and Related Financing Activities	<u>(695)</u>	<u>0</u>	<u>(695)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	1,889	0	1,889
Net Cash Provided by Investing Activities	<u>1,889</u>	<u>0</u>	<u>1,889</u>
Net Increase in Cash and Cash Equivalents	191	55,980	56,171
Cash and Cash Equivalents at Beginning of Year	68,483	34,156	102,639
Cash and Cash Equivalents at End of Year	<u>\$68,674</u>	<u>\$90,136</u>	<u>\$158,810</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$116,621)	\$35,872	(\$80,749)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	4,358	0	4,358
Donated Commodities Used During the Year	23,875	0	23,875
Refund of Prior Years' Expenses	342	0	342
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(304)	182	(122)
Decrease in Inventory	480	0	480
Increase in Prepaid Items	(3,730)	0	(3,730)
Decrease in Accounts Payable	(643)	0	(643)
Increase in Accrued Wages and Benefits	1,455	0	1,455
Decrease in Intergovernmental Payables	(6,677)	0	(6,677)
Decrease in Deferred Revenue	(444)	0	(444)
Increase in Claims Payable	0	19,926	19,926
Decrease in Compensated Absences	(1,785)	0	(1,785)
Total Adjustments	<u>16,927</u>	<u>20,108</u>	<u>37,035</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$99,694)</u>	<u>\$55,980</u>	<u>(\$43,714)</u>

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

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 general purpose 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 and account groups, 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 summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

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 are the District's governmental fund types:

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.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trust(s), or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - The proprietary funds are accounted for on a "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. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and two agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except that accounted for in the proprietary funds.

C. 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 and expendable trust and agency funds. The accrual basis of accounting is followed by the proprietary 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, 2001, but which are not intended to finance fiscal year 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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 proprietary 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.

D. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 2001.

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 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. 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.

6. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. 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 governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$408,257)	(\$30,857)	\$9	\$59,782
Increase (Decrease):				
Accrued Revenues at June 30, 2001, received during FY 2002	(589,157)	(16,593)	0	(18,703)
Accrued Revenues at June 30, 2000, received during FY 2001	812,790	1,044	0	16,516
Accrued Expenditures at June 30, 2001, paid during FY 2002	1,254,473	53,250	0	271,124
Accrued Expenditures at June 30, 2000, paid during FY 2001	(1,203,081)	(20,592)	0	(609,648)
Revenues of Unbudgeted Fund	0	(1,536)	0	0
Expenditures of Unbudgeted Fund	0	12,610	0	0
FY 2000 Prepays for FY 2001	13,641	4,058	0	0
FY 2001 Prepays for FY 2002	(20,230)	(1,476)	0	0
Encumbrances Outstanding	(135,671)	(20,292)	0	(53,581)
Budget Basis	<u>(\$275,492)</u>	<u>(\$20,384)</u>	<u>\$9</u>	<u>(\$334,510)</u>

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as 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 general purpose 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 5, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 2001. 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, 2001. See Note 5, "Cash, Cash Equivalents and Investments."

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and expenses in the proprietary funds when used.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and non-food supplies.

Payments made to vendors for services that will benefit periods beyond June 30, 2001 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 is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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

General fixed asset values were initially determined at June 30, 1994 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. The District has elected not to record depreciation in the General Fixed Asset Account Group. Assets valued at less than \$500 are not capitalized.

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. Assets valued at less than \$500 are not capitalized.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (years)
Machinery, Equipment, Furniture and Fixtures	5-20

I. Long-Term Obligations

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

Obligation	Fund
General Obligation Bond	General Obligation Bond Retirement Fund
Installment Notes	General Obligation Bond Retirement Fund
Intergovernmental Payable	General Fund, Food Services Fund
Compensated Absences	General Fund, Title VI-B Fund, Chapter I Fund, Drug Free School Grant Fund, Food Services Fund
Capital Lease	Permanent Improvement Fund

J. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as Other Financing Sources and Uses in the governmental funds, as "Operating transfers in" by the recipient fund, and "Operating transfers out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers made during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Restricted Assets

Restricted assets represent cash and cash equivalents set aside for cash held by an outside fiscal agent.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 and materials, prepaid items, property taxes, 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.

O. Estimates

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

P. Total Columns on Combined Financial Statements - Overview

Total columns on the Combined Statements-Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 "*Accounting and Financial Reporting for Nonexchange Transactions*" and GASB Statement No. 36 "*Recipient Reporting for Certain Shared Nonexchange Revenues*". While total assets and total liabilities each increased by \$55,000 in the special revenue funds at June 30, 2000 as a result of implementing GASB 33 and GASB 36, there was no effect on total fund balance.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2001 of \$40 in the Venture Capital Grant Fund, \$208 in the Title VI-B Fund, \$47 in the Summer Intervention Fund, \$30,627 in the Chapter I Fund, \$3,084 in the Other Federal Grants Fund (special revenue) and \$180,550 in the Permanent Improvement Fund (capital projects) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting. The fund deficit at June 30, 2001 of \$90,441 in the Self Insurance Fund (internal service) arises from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

NOTE 4 - PRIOR PERIOD ADJUSTMENTS

The District increased the capitalization threshold for proprietary fixed assets from \$150 to \$500. As a result, proprietary fixed assets were restated. This resulted in the following change to the beginning retained earnings balance in the enterprise funds:

Enterprise Funds:	
Retained Earnings at 6/30/00 (as reported)	\$27,021
Fixed Asset Restatement	<u>(559)</u>
Retained Earnings at 6/30/00 (restated)	<u><u>\$26,462</u></u>

NOTE 5 - 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;
- 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).

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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. Based upon criteria described in GASB Statement No. 3, “*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District’s name.
- Category 2 Collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.
- Category 3 Uncollateralized. (This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District’s name.)

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District’s name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District’s name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

A. Deposits

At fiscal year end the carrying amount of the District’s deposits was \$95,868 and the bank balance was \$286,058. The Federal Deposit Insurance Corporation (FDIC) covered \$100,000 of the bank balance, and all remaining deposits were classified as Category 3.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$245,396, which includes \$28,850 assigned from other District funds.

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2001 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Bank Notes	\$0	\$450,321	\$450,321
Federal Home Loan Mortgage Corporation Notes	0	1,112,834	1,112,834
Federal National Mortgage Association Notes	0	598,797	598,797
Repurchase Agreements	297,123	0	297,123
Total Categorized Investments	297,123	2,161,952	2,459,075
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	1,176,979
Total Investments	<u>\$297,123</u>	<u>\$2,161,952</u>	<u>\$3,636,054</u>

C. Cash with Fiscal Agent

The District has cash with fiscal agent in the amount of \$1,127. This amount represents uninsured and uncollateralized cash being held by the Miami County Educational Service Center.

D. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined 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 Combined Balance Sheet	\$1,524,814	\$2,207,108
Investments:		
STAR Ohio	(1,176,979)	1,176,979
Repurchase Agreements	(297,123)	297,123
Certificates of Deposit (with maturities of more than 3 months)	45,156	(45,156)
Per GASB Statement No. 3	<u>\$95,868</u>	<u>\$3,636,054</u>

NOTE 6 - 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 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, 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 1996. 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.

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 2001 receipts were based are:

	2000 Second Half Collections	2001 First Half Collections
Agricultural/Residential and Other Real Estate	\$125,118,160	\$127,611,940
Public Utility Personal	13,871,410	12,053,480
Tangible Personal Property	6,045,240	5,726,530
Total Assessed Value	<u>\$145,034,810</u>	<u>\$145,391,950</u>
Tax rate per \$1,000 of assessed valuation	\$58.48	\$58.48

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for the fiscal year 2001:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$376,088
Debt Service Fund:		
General Obligation Bond Retirement Fund	110,504	0
Capital Projects Fund:		
School Facilities Fund	265,584	0
Total All Funds	\$376,088	\$376,088

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2001:

	Interfund Loan Receivables	Interfund Loan Payables
General Fund	\$365,000	\$0
Capital Projects Fund:		
Permanent Improvement Fund	0	265,000
Internal Service Fund:		
Self Insurance Fund	0	100,000
Totals	\$365,000	\$365,000

NOTE 10 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Class	June 30, 2000	Additions	Deletions	June 30, 2001
Land and Improvements	\$220,507	\$112,992	\$0	\$333,499
Buildings	2,503,127	568,661	0	3,071,788
Machinery and Equipment	2,109,855	168,342	(152,001)	2,126,196
Vehicles	977,882	170,395	(9,000)	1,139,277
Construction in Progress	30,731	0	(30,731)	0
Totals	\$5,842,102	\$1,020,390	(\$191,732)	\$6,670,760

B. Proprietary Fixed Assets

Summary by category at June 30, 2001:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$166,836	(\$130,309)	\$36,527
Total Property, Plant and Equipment	\$166,836	(\$130,309)	\$36,527

NOTE 11 - 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 survivor 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 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, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% 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, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$232,728, \$193,002, and \$168,786, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. 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 2001, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$203,791.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211.0 million. Net assets available for payment of benefits at June 30, 2000 was \$252.3 million.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, 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, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$800,520, \$712,932, and \$701,976, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare 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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$257,310 for the District. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NOTE 12 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at fiscal year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2001, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group were:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$826,142	\$43,645	\$869,787

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-Term debt and other long-term obligations of the District at June 30, 2001 were as follows:

		<u>Balance</u> <u>June 30, 2000</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>June 30, 2001</u>
General Long-Term Debt:				
(General Obligation Bond)				
Energy Conservation - 1994	5.98%	\$287,500	(\$57,500)	\$230,000
(Installment Note)				
Energy Conservation - 1990	7.25%	<u>33,392</u>	<u>(33,392)</u>	<u>0</u>
Total General Long-Term Debt		<u>320,892</u>	<u>(90,892)</u>	<u>230,000</u>
Other General Long-Term Obligations:				
Capital Lease Payable		111,405	(25,022)	86,383
Intergovernmental Payable		87,083	7,080	94,163
Compensated Absences		<u>865,470</u>	<u>4,317</u>	<u>869,787</u>
Total Other General Long-Term Obligations		<u>1,063,958</u>	<u>(13,625)</u>	<u>1,050,333</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u><u>\$1,384,850</u></u>	<u><u>(\$104,517)</u></u>	<u><u>\$1,280,333</u></u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2001 follows:

	<u>General Obligation Bond</u>	
<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2002	\$57,500	\$13,754
2003	57,500	10,316
2004	57,500	6,877
2005	<u>57,500</u>	<u>3,439</u>
Totals	<u><u>\$230,000</u></u>	<u><u>\$34,386</u></u>

NOTE 14 - CAPITALIZED LEASE

The District is leasing a modular classroom under a capital lease. The cost of the classroom obtained under capital lease is included in the General Fixed Assets Account Group and the related liability included in the General Long-Term Obligations Account Group.

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, 2001:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2002	\$32,317
2003	32,317
2004	<u>32,317</u>
Minimum Lease Payments	96,951
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(10,568)</u>
Present Value of minimum lease payments	<u><u>\$86,383</u></u>

NOTE 15 – 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, 2001, the reserve activity (cash-basis) was as follows:

	Textbook <u>Reserve</u>	Capital Acquisition <u>Reserve</u>	Budget Stabilization <u>Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$180,712	\$180,712
Current Year Set-Aside Requirement	228,642	228,642	84,871	542,155
Current Year Offset Credits	0	(355,578)	0	(355,578)
Qualifying Disbursements	<u>(286,381)</u>	<u>0</u>	<u>(265,583)</u>	<u>(551,964)</u>
Total	<u>(\$57,739)</u>	<u>(\$126,936)</u>	<u>\$0</u>	<u>(\$184,675)</u>
Cash Balance Carried Forward to FY 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Amount Restricted for Budget Stabilization				<u>\$0</u>
Total Restricted Assets				<u><u>\$0</u></u>

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

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales, Recreation, and Farm activities. The key financial information for the fiscal year ended June 30, 2001, for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Recreation	Farm	Total
Operating Revenues	\$376,702	\$96,207	\$0	\$0	\$472,909
Depreciation Expense	4,358	0	0	0	4,358
Operating Income (Loss)	(114,254)	4,333	0	(6,700)	(116,621)
Net Income (Loss)	10,287	4,589	0	(6,700)	8,176
Property, Plant and Equipment:					
Additions	695	0	0	0	695
Deletions	(1,166)	0	0	0	(1,166)
Federal and State Subsidies	122,566	0	0	0	122,566
Total Assets	81,668	29,342	2,006	3,810	116,826
Net Working Capital	(18,115)	28,392	2,006	3,810	16,093
Total Equity	430	28,392	2,006	3,810	34,638

NOTE 17 – 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.

NOTE 18- 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 2001 the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Nationwide Insurance Company	Automobile/Fleet	\$250
Nationwide Insurance Company	Property	\$500
Nationwide Insurance Company	General Liability	\$0

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.

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council 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 also maintains a limited medical insurance program for employees which was started in 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. The outstanding claims at June 30, 2001, for the medical self-insurance program amounted to \$80,577.

The claims liability reported in the fund at June 30, 2001 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements 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 2001 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2000	\$0	\$776,658	(\$716,007)	\$60,651
2001	60,651	1,208,664	(1,188,738)	80,577

NOTE 19 - 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 Montgomery County Educational Service Center acts as the Fiscal Agent for the group. 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 2001, the school district paid \$4,929 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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 the fiscal year 2001, the School District paid \$15,551 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.

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 seven 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: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The School District did not contribute financially to this organization during fiscal year 2001. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Jessup, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

NOTE 20 - 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, 2001.

B. Litigation

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

C. State School Funding

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 4, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR YEAR ENDED JUNE 30, 2001**

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550		\$23,431		\$23,875
National School Lunch Program	LL-P1-P4 00 & 01	10.555	<u>\$94,062</u>		<u>\$94,062</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			94,062	23,431	94,062	23,875
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I - Education Consolidation Improvement Act	C1-S1 01	84.010	173,473		171,579	
Special Education Cluster:						
Title VI-B - Education of Handicapped Act	6B-SF 01	84.027	99,502		99,502	
Special Education Preschool Grant	Not Available	84.173	<u>3,464</u>		<u>3,257</u>	
Sub-Total Special Education Cluster			102,966	0	102,759	0
Drug Free Schools	DR-S1 01	84.186	7,694		5,129	
Goals 2000	G2-S2 99	84.276	24,725		27,318	
Eisenhower Professional Development State Grant	MS-S1 01	84.281	6,222		2,907	
Innovative Education Program	C2-S1 01	84.298	9,182		13,374	
Class Size Reduction Subsidy	CR-S1 01	84.340	<u>32,385</u>		<u>33,435</u>	
Total U.S. Department of Education			356,647	0	356,501	0
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed through Montgomery County Educational Service Center:</i>						
Medical Assistance Program-Title XIX	Not Available	93.778	1,348		1,348	
<i>Passed through Ohio Department of Mental Retardation and Development Disabilities:</i>						
Medical Assistance Program-Title XIX	Not Available	93.778	<u>26,367</u>		<u>26,367</u>	
Sub-Total Medical Assistance Program-Title XIX			<u>27,715</u>	0	<u>27,715</u>	0
Total Federal Assistance			<u>\$478,425</u>	<u>\$23,431</u>	<u>\$478,278</u>	<u>\$23,875</u>

The accompanying notes to this schedule are an integral part of this schedule.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Nonmonetary 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, 2001, the District had no significant food commodities in inventory.

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

Milton-Union Exempted Village School District
Miami County
112 South Spring Street
West Milton, Ohio 45383

To the Board of Education:

We have audited the financial statements of Milton-Union Exempted Village School District, Miami County, ("the District") as of and for the year ended June 30, 2001, and have issued our report thereon dated December 4, 2001, which was qualified for a lack of evidential matter related to the Internal Service Fund expenses and liabilities. Except for the above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 4, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10355-001.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we consider item 2001-10355-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2001.

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

Jim Petro
Auditor of State

December 4, 2001



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

Milton-Union Exempted Village School District
Miami County
112 South Spring Street
West Milton, Ohio 45383

To the Board of Education:

Compliance

We have audited the compliance of Milton-Union Exempted Village School District, Miami County, ("the District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the 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.

Jim Petro
Auditor of State

December 4, 2001

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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 material 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):	Title I Grants to Local Educational Agencies CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-10355-001

Material Weakness

The District has delegated employees' health insurance claims processing, which is a significant accounting function, to Heller and Associates a third-party administrator. Although the District Treasurer reviews the claims register received from Heller and Associates documenting employees involved and the amount of claim approved for payment, the failure of Heller and Associates to obtain a report on the effectiveness of their claims processing internal control policies and procedures limits the District's ability to reasonably determine that health insurance claims have been completely and accurately processed in accordance with the health insurance contract.

We recommend the District implement procedures to reasonably assure completeness, and accuracy (including eligibility, and allowability) of health insurance claims processed by its third-party administrator. Statement of Auditing Standards (SAS) No. 70 as amended by SAS No. 88, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS no. 70, should provide the District with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Finding or Questioned Costs reported for federal awards.



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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
DECEMBER 20, 2001**