



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MILLCREEK-WEST UNITY LOCAL SCHOOL
WILLIAMS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Millcreek-West Unity Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Millcreek-West Unity Local School District, Williams County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 20, 2002

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$17,187	\$96,441	\$256,158	\$35,710
Investments			124,824	
Receivables:				
Taxes	1,569,422		75,564	
Accounts	1,417			
Intergovernmental		48,426		
Accrued Interest	12,832	630	11,920	
Interfund Receivable	2,500		20,000	
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	76,704			
Investments	58,320			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	\$1,738,382	\$145,497	\$488,466	\$35,710

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$53,309	\$51,647 1,867			\$510,452 \$126,691
				1,644,986
9,543				10,960
	530			48,426
				25,912
10,175				22,500
				10,175
				76,704
				58,320
53,056 (35,508)		\$6,026,506		6,079,562 (35,508)
			\$392,902	392,902
			564,828	564,828
\$90,575	\$54,044	\$6,026,506	\$957,730	\$9,536,910

(Continued)

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accrued Wages and Benefits	\$450,336	\$108		
Compensated Absences Payable	19,130			
Interfund Payable	20,000	1,500		
Intergovernmental Payable	70,652			
Deferred Revenue	1,483,485		\$73,143	
Undistributed Monies				
Due to Students				
Capital Leases Payable				
Energy Conservation Loan				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,043,603	1,608	73,143	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	46,642	22,101		\$10,239
Reserved for Debt Service Principal			392,902	
Reserved for Advances	2,500		20,000	
Reserved for Contributions				
Reserved for Property Taxes	85,937		2,421	
Reserved for Textbooks and Instructional Materials	92,719			
Reserved for Capital Acquisition	42,305			
Unreserved, Undesignated	(575,324)	121,788		25,471
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	(305,221)	143,889	415,323	35,710
Total Liabilities, Fund Equity and Other Credits	<u>\$1,738,382</u>	<u>\$145,497</u>	<u>\$488,466</u>	<u>\$35,710</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$17,273				\$467,717
10,314			\$420,605	450,049
	\$1,000			22,500
8,049			25,302	104,003
6,400				1,563,028
	3,571			3,571
	17,678			17,678
			23,823	23,823
			63,000	63,000
			425,000	425,000
42,036	22,249		957,730	3,140,369
		\$6,026,506		6,026,506
48,539				48,539
				78,982
				392,902
				22,500
	6,741			6,741
				88,358
				92,719
				42,305
	25,054			(403,011)
48,539	31,795	6,026,506		6,396,541
\$90,575	\$54,044	\$6,026,506	\$957,730	\$9,536,910

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$3,095,843	\$186,319
Interest	14,201	630
Tuition and Fees	5,759	
Rent	76	
Extracurricular Activities		77,319
Gifts and Donations		3,925
Customer Services	6,000	100
Property and Other Local Taxes	1,570,535	
Miscellaneous	18,265	
Total Revenues	<u>4,710,679</u>	<u>268,293</u>
Expenditures:		
Instruction:		
Regular	2,403,822	43,300
Special	402,095	52,719
Vocational	172,617	
Other	15,265	
Support services:		
Pupils	137,892	7,042
Instructional Staff	115,358	15,412
Board of Education	24,301	
Administration	519,610	12,457
Fiscal	117,278	1,100
Operation and Maintenance of Plant	405,440	
Pupil Transportation	217,980	
Central	40,322	
Non-Instructional Services	4,479	
Extracurricular activities	117,366	64,197
Capital Outlay	23,823	3,589
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>4,717,648</u>	<u>199,816</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,969)</u>	<u>68,477</u>
Other Financing Sources and Uses		
Operating Transfer In		
Other Financing Sources	24,281	160
Operating Transfers Out	(32,707)	
Refund of Prior Year Receipts		
Total Other Financing Sources and Uses	<u>(8,426)</u>	<u>160</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(15,395)	68,637
Fund Balance at Beginning of Year	<u>(289,826)</u>	<u>75,252</u>
Fund Balance at End of Year	<u>(\$305,221)</u>	<u>\$143,889</u>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$10,988	\$23,560		\$3,316,710
14,000		\$365	29,196
			5,759
			76
			77,319
		8,950	12,875
			6,100
98,553			1,669,088
			18,265
<u>123,541</u>	<u>23,560</u>	<u>9,315</u>	<u>5,135,388</u>
	50,308		2,497,430
			454,814
			172,617
			15,265
			144,934
			130,770
			24,301
		8,450	540,517
4,678			123,056
	72,154		477,594
			217,980
			40,322
			4,479
			181,563
	8,681		36,093
103,000			103,000
39,591			39,591
<u>147,269</u>	<u>131,143</u>	<u>8,450</u>	<u>5,204,326</u>
<u>(23,728)</u>	<u>(107,583)</u>	<u>865</u>	<u>(68,938)</u>
10,784	21,923	1,914	34,621
			24,441
			(32,707)
		(10,445)	(10,445)
<u>10,784</u>	<u>21,923</u>	<u>(8,531)</u>	<u>15,910</u>
(12,944)	(85,660)	(7,666)	(53,028)
428,267	121,370	30,989	366,052
<u>\$415,323</u>	<u>\$35,710</u>	<u>\$23,323</u>	<u>\$313,024</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$3,380,102	\$3,095,843	(\$284,259)
Interest	16,923	12,877	(4,046)
Tuition and Fees	6,911	5,759	(1,152)
Rent	156	76	(80)
Extracurricular Activities			
Gifts and Donations			
Customer Services	6,000	6,000	
Property and Other Local Taxes	1,758,608	1,558,608	(200,000)
Miscellaneous	25,047	16,848	(8,199)
Total Revenues	5,193,747	4,696,011	(497,736)
Expenditures:			
Current:			
Instruction:			
Regular	2,644,724	2,343,618	301,106
Special	429,761	404,787	24,974
Vocational	261,921	167,845	94,076
Other	15,771	15,265	506
Support services:			
Pupils	154,337	135,555	18,782
Instructional Staff	145,310	116,353	28,957
Board of Education	66,444	24,301	42,143
Administration	534,464	528,228	6,236
Fiscal	128,177	117,571	10,606
Operation and Maintenance of Plant	455,228	424,250	30,978
Pupil Transportation	230,172	224,823	5,349
Central	40,322	40,322	
Non-Instructional Services	12,437	4,479	7,958
Extracurricular activities	135,190	117,202	17,988
Capital Outlay			
Debt Service:			
Principal			
Interest			
Total Expenditures	5,254,258	4,664,599	589,659
Excess of Revenues Over (Under) Expenditures	(60,511)	31,412	91,923
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	52		(52)
Refund of Prior Year Expenditures	306	306	
Advances In			
Refund of Prior Year Receipts			
Other Financing Sources	152	152	
Operating Transfers Out	(35,160)	(32,707)	2,453
Advances Out	(11,000)	(2,500)	8,500
Total Other Financing Sources and Uses	(45,650)	(34,749)	10,901
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(106,161)	(3,337)	102,824
Fund Balances at Beginning of Year	82,884	82,884	
Prior Year Encumbrances Appropriated	26,021	26,021	
Fund Balance at end of Year	\$2,744	\$105,568	\$102,824

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$188,102	\$137,893	(\$50,209)	\$10,988	\$10,988	
455		(455)	11,219	9,453	(\$1,766)
80,786	77,319	(3,467)			
3,925	3,925				
100	100				
			101,495	101,495	
<u>273,368</u>	<u>219,237</u>	<u>(54,131)</u>	<u>123,702</u>	<u>121,936</u>	<u>(1,766)</u>
66,410	52,357	14,053			
80,307	58,959	21,348			
27,069	7,042	20,027			
17,103	14,585	2,518			
22,302	12,896	9,406			
1,100	1,100		4,678	4,678	
80,349	77,445	2,904			
5,589	4,477	1,112			
			107,259	103,000	\$4,259
			39,591	39,591	
<u>300,229</u>	<u>228,861</u>	<u>71,368</u>	<u>151,528</u>	<u>147,269</u>	<u>4,259</u>
<u>(26,861)</u>	<u>(9,624)</u>	<u>17,237</u>	<u>(27,826)</u>	<u>(25,333)</u>	<u>2,493</u>
			10,784	10,784	
160	160				
1,500	1,500				
<u>1,660</u>	<u>1,660</u>		<u>10,784</u>	<u>10,784</u>	
(25,201)	(7,964)	17,237	(17,042)	(14,549)	2,493
71,664	71,664		395,531	395,531	
10,639	10,639				
<u>\$57,102</u>	<u>\$74,339</u>	<u>\$17,237</u>	<u>\$378,489</u>	<u>\$380,982</u>	<u>\$2,493</u>

(Continued)

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$23,560	\$23,560	
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	23,560	23,560	
Expenditures:			
Current:			
Instruction:			
Regular	55,371	50,308	\$5,063
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant	82,027	82,027	
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	16,974	9,047	7,927
Debt Service:			
Principal			
Interest			
Total Expenditures	154,372	141,382	12,990
Excess of Revenues Over (Under) Expenditures	(130,812)	(117,822)	12,990
Other Financing Sources and Uses			
Operating Transfers In	21,923	21,923	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Refund of Prior Year Receipts			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources and Uses	21,923	21,923	
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(108,889)	(95,899)	12,990
Fund Balances at Beginning of Year	121,186	121,186	
Prior Year Encumbrances Appropriated	185	185	
Fund Balance at end of Year	\$12,482	\$25,472	\$12,990

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$343	\$237	(\$106)	\$3,602,752	\$3,268,284	(\$334,468)
			28,940	22,567	(6,373)
			6,911	5,759	(1,152)
			156	76	(80)
			80,786	77,319	(3,467)
8,950	8,950		12,875	12,875	
			6,100	6,100	
			1,860,103	1,660,103	(200,000)
			25,047	16,848	(8,199)
9,293	9,187	(106)	5,623,670	5,069,931	(553,739)
			2,766,505	2,446,283	320,222
			510,068	463,746	46,322
			261,921	167,845	94,076
			15,771	15,265	506
			181,406	142,597	38,809
			162,413	130,938	31,475
			66,444	24,301	42,143
11,365	8,450	2,915	568,131	549,574	18,557
			133,955	123,349	10,606
			537,255	506,277	30,978
			230,172	224,823	5,349
			40,322	40,322	
			12,437	4,479	7,958
			215,539	194,647	20,892
			22,563	13,524	9,039
			107,259	103,000	4,259
			39,591	39,591	
11,365	8,450	2,915	5,871,752	5,190,561	681,191
(2,072)	737	2,809	(248,082)	(120,630)	127,452
2,100	1,914	(186)	34,807	34,621	(186)
			52		(52)
			466	466	
(10,445)	(10,445)		1,500	1,500	
			(10,445)	(10,445)	
			152	152	
			(35,160)	(32,707)	2,453
			(11,000)	(2,500)	8,500
(8,345)	(8,531)	(186)	(19,628)	(8,913)	10,715
(10,417)	(7,794)	2,623	(267,710)	(129,543)	138,167
29,576	29,576		700,841	700,841	
1,300	1,300		38,145	38,145	
\$20,459	\$23,082	\$2,623	\$471,276	\$609,443	\$138,167

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues			
Sales	\$179,851		\$179,851
Interest		\$416	416
Total Operating Revenues	<u>179,851</u>	<u>416</u>	<u>180,267</u>
Operating Expenses			
Salaries	94,657		94,657
Fringe Benefits	39,075		39,075
Purchased Services	791		791
Materials and Supplies	111,718		111,718
Depreciation	777		777
Other	5,710	1,155	6,865
Total Operating Expenses	<u>252,728</u>	<u>1,155</u>	<u>253,883</u>
Operating Loss	(72,877)	(739)	(73,616)
Non-Operating Revenues and Expenses			
Federal Donated Commodities	25,920		25,920
Interest	60		60
Federal and State Subsidies	57,424		57,424
Total Non-Operating Revenues and Expenses	<u>83,404</u>		<u>83,404</u>
Income (Loss) Before Operating Transfers	10,527	(739)	9,788
Operating Transfers-Out		(1,914)	(1,914)
Net Income (Loss)	10,527	(2,653)	7,874
Retained Earnings/Fund Balance at Beginning of Year	38,012	11,125	49,137
Retained Earnings/Fund Balance at End of Year	<u><u>\$48,539</u></u>	<u><u>\$8,472</u></u>	<u><u>\$57,011</u></u>

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

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

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$177,997		\$177,997
Cash Payments to Suppliers for Goods and Services	(86,690)		(86,690)
Cash Payments for Contract Services	(791)		(791)
Cash Payments for Employee Services	(86,684)		(86,684)
Cash Payments for Employee Benefits	(39,611)		(39,611)
Other Cash Payments	(5,710)	(\$1,155)	(6,865)
Net Cash Used by Operating Activities	(41,489)	(1,155)	(42,644)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	57,424		57,424
Operating Transfer Out		(1,914)	(1,914)
Net Cash Provided (Used) by Noncapital Financing Activities	57,424	(1,914)	55,510
<u>Cash Flows from Investing Activities:</u>			
Purchase Certificate of Deposit		(1,867)	
Interest Received	60	129	189
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(91)		(91)
Net Increase (Decrease) in Cash and Cash Equivalents	15,904	(4,807)	12,964
Cash and Cash Equivalents at Beginning of Year	37,405	11,125	48,530
Cash and Cash Equivalents at End of Year	\$53,309	\$6,318	\$61,494

(Continued)

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

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	(\$72,877)	(\$739)	(\$73,616)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:			
Depreciation	777		777
Donated Commodities Used During the Year	25,920		25,920
Adjustments to Capital Outlay	91		91
Nonexpendable Trust Interest		(129)	(129)
(Increase) Decrease in Assets:			
Accounts Receivable	(1,854)		(1,854)
Accrued Interest		(287)	(287)
Material and Supplies Inventory	(3,342)		(3,342)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	6,570		6,570
Intergovernmental Payable	(563)		(563)
Deferred Revenue	2,359		2,359
Accrued Wages and Benefits	1,430		1,430
Total Adjustments	<u>31,388</u>	<u>(416)</u>	<u>30,972</u>
Net Cash Used by Operating Activities	<u>(\$41,489)</u>	<u>(\$1,155)</u>	<u>(\$42,644)</u>

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:

Cash and Cash Equivalents - Trust and Agency Funds	\$51,647
Less: Expendable Trust Funds	(23,080)
Less: Agency Funds	<u>(22,249)</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds	<u>\$6,318</u>

The Food Service fund consumed donated commodities with a value of \$25,920. Use of these commodities reflected as an operating expense.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

B. Fund Accounting

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

1. GOVERNMENTAL FUNDS

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

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

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

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

2. FIDUCIARY FUNDS

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

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

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

3. PROPRIETARY FUNDS

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

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

4. ACCOUNT GROUPS

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.

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

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and the expendable trust fund for the year ended June 30, 2002 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$3,337)	(\$7,964)	(\$14,549)	(\$95,899)	(\$7,794)
Net Adjustment for:					
Revenue Accruals	14,668	49,056	1,605		128
Expenditures Accruals	(99,691)	6,944			
Other Sources/Uses	26,323	(1,500)			
Encumbrances	46,642	22,101		10,239	
GAAP Basis	(\$15,395)	\$68,637	(\$12,944)	(\$85,660)	(\$7,666)

D. Encumbrances

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

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

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, bond retirement fund, food service fund, special trust funds, and endowment trust funds. The general fund was credited more interest than would have been received based on its share of the District's investments during fiscal year 2002. The general fund received \$14,201 in interest which includes \$6,532 assigned to other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments if they are not part of the pool.

F. Inventory

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

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for asset in General Fixed Assets Account Group.

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

2. Proprietary Funds

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

H. Intergovernmental Revenues

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

Entitlements

General Fund
State Foundation Program

Non-Reimbursable Grants

General Fund
Equity Fund Grant

Special Revenue Funds

Professional Staff Development Grant
Educational Management Information Systems
ONENET Ohio
Professional Technology Development
Textbook/Instructional Materials Subsidy
Summer School
Extended Learning Opportunity
Safe School Help Line
Eisenhower Grant
Title VI-B Flow Through
Title I
Title VI
Drug Free Grant

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

Preschool Disability Grant
E-Rate Grant
Title VI-R

Capital Projects Funds

School Net Plus Grant
Technology Equity
Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education Reimbursement

Special Revenue Funds

Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program
Food Distribution Program

I. Interfund Transactions

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

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

J. Restricted Assets

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

K. Fund Balance Reserves

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

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

L. Concentration of Credit Risk

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

M. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2002.

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Estimates

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

P. Pass-Through Grants

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

Q. Total Columns on Financial Statements

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

Interest earnings on a tax levy to provide for the payment of interest and the principal of bonds were not pledged for the payment of the interest on and the principal of the bonds, when and as these fall due, according to the requirements of section 8 of the resolution providing for the issuance of School Improvements Bonds, Series 1986. The District corrected the allocation of interest earnings within the Debt Service and Capital Projects fund types. The effect of this adjustment is as follows:

	Debt Service	Capital Projects
Fund balances as Previously reported	\$420,894	\$128,743
Prior Period Adjustment	7,373	(7,373)
Restated fund balances as of July 1, 2001	\$428,267	\$121,370
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses as of June 30, 2001	\$23,493	\$51,535
Prior Period Adjustment - Interest Revenue	6,331	(6,331)
Net effect of restatement on the Excess and Other Financing Sources Over Expenditures and Other Financing Uses as of June 30, 2001	\$29,824	\$45,204

B. Certification of Expenditures

Certain expenditures were not properly certified according to the requirements of Ohio Revised Code § 5705.41(D).

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

C. Deficit Fund Balances

At June 30, 2002, the General, Permanent Improvements and Title I Funds had deficit fund balances of \$305,221, 1,347 and \$108. The General and Title I funds were created by the application of generally accepted accounting principles. Permanent improvements fund was a result of an error correction.

4. CASH AND CASH EQUIVALENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality's;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR); and
7. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

A. Cash On Hand

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

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

B. Deposits

At year-end, the carrying amount of the District's deposits was \$772,067 and the bank balance was \$866,187. Of the bank balance:

1. \$135,091 was covered by Federal Depository Insurance; and
2. \$731,096 was collateralized by securities specifically pledged by the financial institution in the name of the District.

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

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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	Cash and Cash Equivalents	Investments
GASB Statement 9	\$587,156	\$185,011
Cash on Hand	(100)	
Investments	185,011	(185,011)
GASB Statement 3	\$772,067	

5. PROPERTY TAXES

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

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

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

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

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

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2002.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

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

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

6. FIXED ASSETS

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

Asset Category	Balance at 6/30/01	Additions	Disposals	Balance at 6/30/02
Land and Improvements	\$21,419			\$21,419
Buildings and Improvements	4,022,606	\$24,276		4,046,882
Furniture and Equipment	1,022,883	96,338	\$16,411	1,102,810
Vehicles	434,845			434,845
Text and Library Books	418,499			418,499
Infrastructure		2,051		2,051
Totals	\$5,920,252	\$122,665	\$16,411	\$6,026,506

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

Asset Category	Balance at 6/30/02
Furniture and Equipment	\$53,056
Less: Accumulated Depreciation	35,508
Totals	\$17,548

7. CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into a capitalized lease for the acquisition of telecommunications equipment.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. No principal payments were made in fiscal year 2002. This amount will be reflected as debt service principal retirement in the General Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2002:

	General Fixed Assets
Telecommunications equipment, Carrying Value	\$23,823

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2002:

Year Ending June 30,	Mail Machine
2003	\$5,694
2004	5,695
2005	5,694
2006	5,695
2007	5,692
Total Future Minimum Lease Payments	28,470
Less: Amount Representing Interest	4,647
Present Value of Future Minimum Lease Payments	\$23,823

8. LONG-TERM OBLIGATIONS

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
Elementary School Building	\$510,000		\$85,000	\$425,000
Energy Conservation Loan	81,000		18,000	63,000
Capital Lease		\$23,823		23,823
Pension Obligation	25,306		4	25,302
Compensated Absences	365,770	54,835		420,605
Total	\$982,076	\$78,658	\$103,004	\$957,730

Debt outstanding at June 30, 2002 consisted of General Obligation Bonds totaling \$425,000 and an Energy Conservation Note totaling \$63,000 (interest rates at June 30, 2002 were 7.50 percent and 6.33 percent for the bonds and note, respectively). The bonds were issued in May 1986 and will mature in December 2006. The note was issued in August 1995 and will mature in August 2005.

Total expenditures for interest for the above debt for the period ended June 30, 2002 was \$39,591.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2003	\$103,000	\$32,010	\$135,010
2004	103,000	24,613	127,613
2005	103,000	17,215	120,215
2006	94,000	9,847	103,847
2007	85,000	3,160	88,160
Total	<u>\$488,000</u>	<u>\$86,845</u>	<u>\$574,845</u>

9. COMPENSATED ABSENCES

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

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

At June 30, 2002 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$19,130 and \$420,605, respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$10,314.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

the fiscal years ended June 30, 2002, 2001, and 2000 were \$260,432, \$266,314, and \$164,956, respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$40,326 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$35,498, \$23,095, and \$29,789, respectively; 57 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$12,458 representing the unpaid contribution for the fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

11. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

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

For the District, the amount to fund health care benefits, including surcharge equaled \$63,313 during the 2002 fiscal year.

12. RISK MANAGEMENT

A. Comprehensive

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

For fiscal year 2001, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. The District maintains liability insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains three Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply services, and adult education. Segment information for the year ended June 30, 2002 was as follows:

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$146,414	\$33,437		\$179,851
Depreciation Expense	777			777
Operating Income (Loss)	(77,703)	4,826		(72,877)
Donated Commodities	25,920			25,920
Grants	57,424			57,424
Interest	60			60
Net Income (Loss)	5,701	4,826		10,527
Net Working Capital	(9,540)	40,164	\$367	30,991
Total Assets	50,044	40,164	367	90,575
Total Liabilities	42,036			42,036
Total Equity	8,008	40,164	367	48,539

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were \$44,213. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$30,099. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

15. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

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

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

In fiscal year 2002, the District contributed a total of \$470,092 for all four plans. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

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

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

C. Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. In fiscal year 2002, the District contributed a total of \$7,284 to the Plan's administrator. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was required to set aside money for budget stabilization. In 2002, this was expended on qualifying expenditures.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2001	\$53,090		\$21,923	\$75,013
Current Year Set-aside Requirement	93,701	\$93,701		187,402
Qualifying Disbursements	(54,072)	(51,396)	(21,923)	(127,391)
Total	<u>\$92,719</u>	<u>\$42,305</u>	<u></u>	<u>\$135,024</u>
Cash Balance Carried Forward to FY 2003	<u>\$92,719</u>	<u>\$42,305</u>	<u></u>	<u>\$135,024</u>
Total Restricted Assets				<u>\$135,024</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may not be used to reduce future capital set-aside requirements.

17. INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2002 were as follows:

	Transfers In	Transfers Out
General Fund		\$32,707
Debt Service	\$10,784	
Capital Projects	21,923	
Expendable Trust	1,914	
Nonexpendable Trust		1,914
Total All Funds	<u>\$34,621</u>	<u>\$34,621</u>

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

	Interfund Receivable	Interfund Payable
General	\$2,500	\$20,000
Special Revenue		1,500
Debt Service	20,000	
Agency		1,000
Total All Funds	\$22,500	\$22,500

18. AGENCY FUNDS

General Purpose Statement of Changes in Assets and Liabilities
For the Period Ending June 30, 2002

	Balance at 6/30/01	Change	Balance at 6/30/02
Assets	\$22,436	(\$187)	\$22,249
Liabilities	\$22,436	(\$187)	\$22,249

19. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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

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

To the Board of Education:

We have audited the financial statements of Millcreek-West Unity Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10186-001 through 2002-10186-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2002.

Millcreek-West Unity Local School District
Williams County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 20, 2002

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

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

FINDING NUMBER 2002-10186-001

Noncompliance Citations

Section 8 of the resolution providing for the issuance of School Improvement Bonds, Series 1986, adopted by the Board of Education on April 14, 1986, states that funds derived from the tax levy to provide for the payment of interest and the principal of the bonds shall be placed in a separate fund, which, together with all interest collected on the same, shall be irrevocably pledged for the payment of the interest on and the principal of the bonds, when and as these fall due.

In 2002, interest earnings of \$9,453 from Bond Retirement monies were recorded in the Permanent Improvements fund.

The District recorded an adjustment to its financial statements to correct this error.

FINDING NUMBER 2002-10186-002

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

FINDING NUMBER 2002-10186-002
(Continued)

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Treasurer did not make the proper certification of funds for 30 percent of the transactions tested during the audit period. We recommend prior certification of all expenditures, but when prior certification is not possible "then and now" certificates should be utilized.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10186-001	Ohio Revised Code § 5705.41 (D) improper certification.	No	Not Corrected. Reissued as finding 2002-101862-002.



STATE OF OHIO
OFFICE OF THE AUDITOR

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MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**