



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Milton-Union Exempted Village School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Milton-Union Exempted Village School District, Miami County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof 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 2, 2004, 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.

Management's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 2, 2004

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004***

Unaudited

The discussion and analysis of Milton-Union Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

- ❑ Net assets decreased \$335,257, which represents a 6% decrease from 2003.
- ❑ General revenues accounted for \$11,820,734 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,363,220 or 17% of total revenues of \$14,183,954.
- ❑ The District had \$14,519,211 in expenses related to governmental activities; only \$2,363,220 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,820,734 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$12,126,212 in revenues and \$12,275,244 in expenditures. The general fund's fund balance remained very stable, decreasing \$2,917 to \$1,218,713. This represents less than a 1% change from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004***

Unaudited

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

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

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

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

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

Fund Financial Statements

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

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

Proprietary Funds – The District uses an internal service fund to report activities that provide services for the District's other programs and activities. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities.

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2004 compared to 2003.

	Governmental Activities		Increase (Decrease)
	2004	2003	
Current and other assets	\$9,102,432	\$7,397,618	\$1,704,814
Capital assets, Net	4,450,865	4,596,211	(145,346)
Total assets	13,553,297	11,993,829	1,559,468
Long-term debt outstanding	1,148,389	1,212,199	(63,810)
Other liabilities	7,280,159	5,321,624	1,958,535
Total liabilities	8,428,548	6,533,823	1,894,725
Net assets			
Invested in capital assets, net of related debt	4,273,527	4,339,613	(66,086)
Restricted	429,669	614,161	(184,492)
Unrestricted	421,553	506,232	(84,679)
Total net assets	\$5,124,749	\$5,460,006	(\$335,257)

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 compared with 2003:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Revenues			
Program revenues:			
Charges for Services and Sales	\$1,262,956	\$1,110,116	\$152,840
Operating Grants and Contributions	839,466	706,209	133,257
Capital Grants and Contributions	260,798	374,350	(113,552)
General revenues:			
Property Taxes	4,613,064	3,718,221	894,843
Grants and Entitlements	6,955,002	7,191,086	(236,084)
Other	252,668	114,433	138,235
Total revenues	<u>14,183,954</u>	<u>13,214,415</u>	<u>969,539</u>
Program Expenses			
Instruction	8,136,120	7,802,335	333,785
Support Services:			
Pupils	720,103	790,728	(70,625)
Instructional Staff	758,749	820,008	(61,259)
Board of Education	88,860	102,718	(13,858)
Administration	1,065,254	1,095,063	(29,809)
Fiscal Services	386,293	385,162	1,131
Business	138,262	140,080	(1,818)
Operation and Maintenance of Plant	1,158,420	802,975	355,445
Pupil Transportation	781,703	784,796	(3,093)
Central	344,032	419,850	(75,818)
Operation of Non-Instructional Services	464,365	449,541	14,824
Extracurricular Activities	470,267	232,557	237,710
Debt Service:			
Interest and Fiscal Charges	6,783	9,111	(2,328)
Total expenses	<u>14,519,211</u>	<u>13,834,924</u>	<u>684,287</u>
Total Change in Net Assets	<u>(335,257)</u>	<u>(620,509)</u>	<u>285,252</u>
Beginning Net Assets	<u>5,460,006</u>	<u>6,080,515</u>	<u>(620,509)</u>
Ending Net Assets	<u><u>\$5,124,749</u></u>	<u><u>\$5,460,006</u></u>	<u><u>(\$335,257)</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$335,257. Although property tax revenues increased substantially, expenses continued to exceed revenues, which caused this decrease.

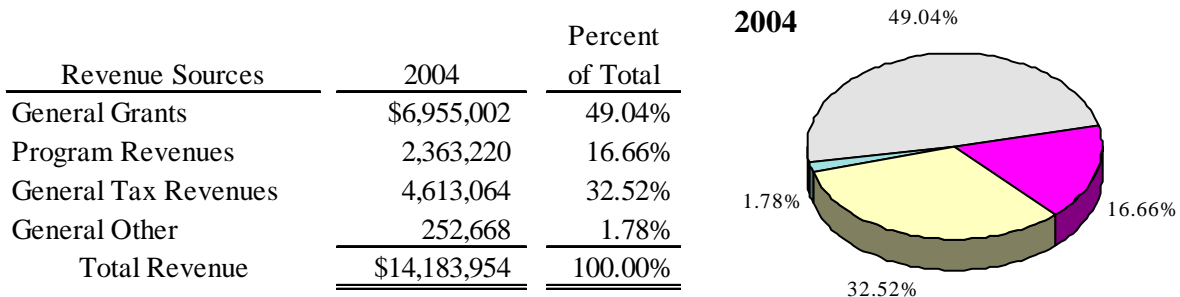
MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

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

Property taxes made up 33% of revenues for governmental activities for Milton-Union Schools in fiscal year 2004. The District's reliance upon tax revenues is demonstrated by the following graph:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$1,740,534, which is above last year's total of \$1,735,049. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase (Decrease)
General	\$1,218,713	\$1,221,630	(\$2,917)
Other Governmental	521,821	513,419	8,402
Total	\$1,740,534	\$1,735,049	\$5,485

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

Unaudited

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

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$4,218,582	\$3,405,415	\$813,167
Tuition	522,770	475,374	47,396
Transportation Fees	153,034	48,000	105,034
Investment Earnings	37,227	74,795	(37,568)
Intergovernmental - State	7,159,788	7,197,572	(37,784)
Intergovernmental - Federal	29,097	7,415	21,682
All Other Revenue	5,714	68,047	(62,333)
Total	\$12,126,212	\$11,276,618	\$849,594

General Fund revenues in 2004 increased approximately 8% compared to revenues in fiscal year 2003. The primary factor contributing to this increase was the substantial increase in property taxes received. Property taxes increased as the result of a new levy passed in November 2003.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Instruction	\$7,431,812	\$7,074,997	\$356,815
Supporting Services:			
Pupils	718,733	751,850	(33,117)
Instructional Staff	575,368	732,801	(157,433)
Board of Education	88,860	102,661	(13,801)
Administration	934,516	972,201	(37,685)
Fiscal Services	382,613	347,627	34,986
Business	140,495	135,601	4,894
Operation & Maintenance of Plant	807,611	803,224	4,387
Pupil Transportation	715,246	734,425	(19,179)
Central	238,798	298,977	(60,179)
Extracurricular Activities	241,192	235,503	5,689
Capital Outlay	0	1,696	(1,696)
Total	\$12,275,244	\$12,191,563	\$83,681

The expenditures remained very stable, increasing by \$83,681 or less than 1% compared to the prior year.

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

During the course of fiscal year 2004 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$12 million, above original budget estimates of \$11.4 million. The General Fund had an adequate fund balance to cover expenditures.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004*

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the District had \$4,450,865 net of accumulated depreciation invested in land, buildings, equipment and vehicles. The following table shows fiscal year 2003 and 2004 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	2004	2003	
Land	\$107,448	\$107,448	\$0
Land Improvements	234,144	234,144	0
Buildings and Improvements	3,999,807	3,999,807	0
Machinery and Equipment	2,055,087	2,043,101	11,986
Vehicles	1,122,579	1,103,134	19,445
Less: Accumulated Depreciation	<u>(3,068,200)</u>	<u>(2,891,423)</u>	<u>(176,777)</u>
Totals	<u>\$4,450,865</u>	<u>\$4,596,211</u>	<u>(\$145,346)</u>

The primary changes occurred in machinery and equipment and vehicles, which can be attributed to routine disposals and purchases of copiers, computers and buses.

Additional information on the District's capital assets can be found in Note 8.

Debt

At June 30, 2004, the District had \$57,500 in bonds outstanding, \$57,500 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2004:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Bond:		
Energy Conservation	\$57,500	\$115,000
Capital Leases Payable	119,838	141,598
Compensated Absences	971,051	955,601
Totals	<u>\$1,148,389</u>	<u>\$1,212,199</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 10.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

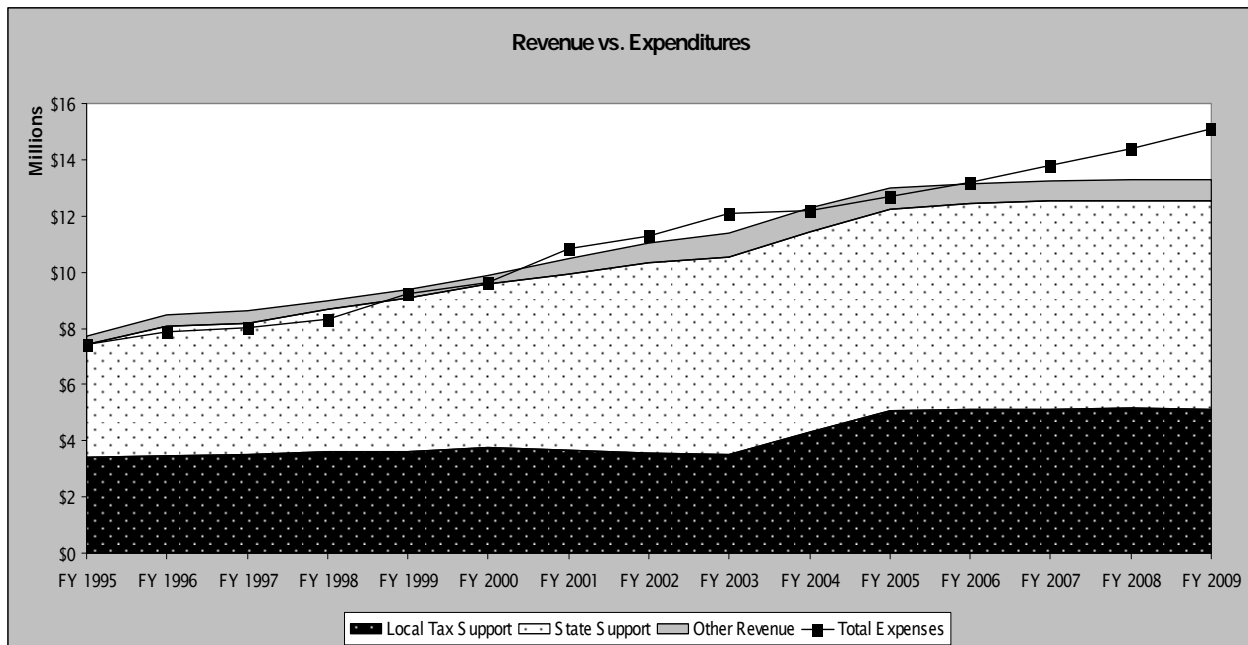
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

ECONOMIC FACTORS

Milton-Union Schools passed a 10.9 mil operating levy in November 2003 by 14 votes. This averted a financial crisis and the district now projects a positive cash balance through June 2008.

The district's general fund relies more on State Foundation Funds and Reimbursements (62%) than on property taxes (35%) for its revenue. Due to HB920, property tax collections remained relatively static since 1992 until the passage of additional millage in November 2003. Tangible Personal Property tax collections have been declining due to recently passed legislation (SB3, SB287, and HB95), while real property collections have increased due to re-appraisal and new construction. State support increases have been reduced greatly. Per pupil funding increased by 2.2 percent in FY04. However, due to decline in enrollment, state foundation funding decreased less than one percent in FY04 and is expected to slightly decline again in FY05.



Approximately 82 percent of Milton-Union operating expenses in fiscal year 2004 are salaries and benefits. Base wage increases have been 4% per year, but actual salary expense increased by only 1.7% due to staff reductions. Benefit costs increased 5.83% over FY03. This is, in considerable part, due to the large increases in health care costs over recent years. Benefits as a percentage of salaries have increased from 30% in FY99 to 38% in FY04. In FY04, health insurance costs increased by 6.6%. However, health care claims exceeded premiums paid into the trust fund and the trust fund cash balance declined in FY04. Another growing expense group in recent years is Purchased Services. Purchased Services expenses declined by 7% in FY04 due to the cut back in services being purchased from the Miami Co ESC and a decline in property insurance costs.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30,2004***

Unaudited

On December 11, 2002 the court issued it latest opinion, reaffirming its earlier decisions that Ohio's current funding plan is unconstitutional. However, the Ohio Supreme court has relinquished jurisdiction over the case and have blocked lower courts from enforcing this decision. The effect of these decisions is expected to be negative for the future.

In conclusion, Milton-Union School District's management faces significant financial challenges, but has committed itself to financial stability in the future.

REQUESTS FOR INFORMATION

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets
June 30,2004

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 2,033,836
Investments	1,197,819
Receivables:	
Taxes	5,567,554
Accounts	171,658
Intergovernmental	76,918
Interest	4,321
Inventory of Supplies at Cost	21,777
Prepaid Items	28,549
Capital Assets, Net	4,450,865
Total Assets	13,553,297
Liabilities:	
Accounts Payable	232,876
Accrued Wages and Benefits	1,239,932
Intergovernmental Payable	335,525
Claims Payable	170,000
Deferred Revenue - Taxes	5,299,533
Accrued Interest Payable	2,293
Long Term Liabilities:	
Due Within One Year	117,286
Due in More Than One Year	1,031,103
Total Liabilities	8,428,548
Net Assets:	
Invested in Capital Assets, Net of Related Debt	4,273,527
Restricted For:	
Capital Projects	429,669
Unrestricted	421,553
Total Net Assets	\$ 5,124,749

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2004

		Program Revenues			Net (Expense)
					Revenue and
					and Changes in
					Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 8,136,120	\$ 618,183	\$ 364,956	\$ 0	\$ (7,152,981)
Support Services:					
Pupils	720,103	0	28,624	0	(691,479)
Instructional Staff	758,749	0	143,276	0	(615,473)
Board of Education	88,860	0	0	0	(88,860)
Administration	1,065,254	0	109,258	0	(955,996)
Fiscal Services	386,293	0	0	0	(386,293)
Business	138,262	0	0	0	(138,262)
Operation and Maintenance of Plant	1,158,420	0	0	214,598	(943,822)
Pupil Transportation	781,703	153,034	14,952	0	(613,717)
Central	344,032	0	22,410	46,200	(275,422)
Operation of Non-Instructional Services	464,365	326,700	155,990	0	18,325
Extracurricular Activities	470,267	165,039	0	0	(305,228)
Debt Service:					
Interest and Fiscal Charges	6,783	0	0	0	(6,783)
Total Governmental Activities	\$ 14,519,211	\$ 1,262,956	\$ 839,466	\$ 260,798	(12,155,991)
General Revenues					
Property Taxes Levied for:					
					4,282,139
General Purposes					330,925
Capital Outlay					6,955,002
Grants and Entitlements not Restricted to Specific Programs					37,260
Investment Earnings					215,408
Miscellaneous					
Total General Revenues					11,820,734
Change in Net Assets					(335,257)
Net Assets Beginning of Year					5,460,006
Net Assets End of Year					\$ 5,124,749

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and Cash Equivalents	\$ 991,031	\$ 780,240	\$ 1,771,271
Investments	1,197,819	0	1,197,819
Receivables:			
Taxes	5,212,298	355,256	5,567,554
Accounts	159,413	9,765	169,178
Intergovernmental	10,366	66,552	76,918
Interest	4,321	0	4,321
Interfund Loan Receivable	175,200	0	175,200
Inventory of Supplies at Cost	17,515	4,262	21,777
Prepaid Items	27,372	1,177	28,549
Total Assets	<u><u>\$ 7,795,335</u></u>	<u><u>\$ 1,217,252</u></u>	<u><u>\$ 9,012,587</u></u>
Liabilities:			
Accounts Payable	\$ 132,866	\$ 100,010	\$ 232,876
Accrued Wages and Benefits	1,182,486	57,446	1,239,932
Intergovernmental Payable	203,827	6,716	210,543
Interfund Loans Payable	0	175,200	175,200
Deferred Revenue - Taxes	5,057,443	344,825	5,402,268
Deferred Revenue	0	11,234	11,234
Total Liabilities	<u><u>6,576,622</u></u>	<u><u>695,431</u></u>	<u><u>7,272,053</u></u>
Fund Balances:			
Reserved for Encumbrances	47,583	331,998	379,581
Reserved for Prepaid Items	27,372	1,177	28,549
Reserved for Supplies Inventory	17,515	4,262	21,777
Reserved for Debt Service	0	463	463
Reserved for Property Taxes	122,876	8,211	131,087
Unreserved, Undesignated in:			
General Fund	1,003,367	0	1,003,367
Special Revenue Funds	0	68,946	68,946
Capital Projects Funds	0	106,764	106,764
Total Fund Balances	<u><u>1,218,713</u></u>	<u><u>521,821</u></u>	<u><u>1,740,534</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 7,795,335</u></u>	<u><u>\$ 1,217,252</u></u>	<u><u>\$ 9,012,587</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30,2004***

Total Governmental Fund Balances	\$ 1,740,534
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	4,450,865
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	113,969
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	95,045
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,275,664)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 5,124,749</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 4,218,582	\$ 330,925	\$ 4,549,507
Tuition	522,770	95,413	618,183
Transportation Fees	153,034	0	153,034
Investment Earnings	37,227	33	37,260
Extracurricular Activities	0	165,039	165,039
Food Services	0	326,700	326,700
Intermediate Sources	0	9,453	9,453
Intergovernmental - State	7,159,788	185,204	7,344,992
Intergovernmental - Federal	29,097	884,028	913,125
All Other Revenue	5,714	22,287	28,001
Total Revenue	12,126,212	2,019,082	14,145,294
Expenditures:			
Current:			
Instruction	7,431,812	426,609	7,858,421
Supporting Services:			
Pupils	718,733	5,679	724,412
Instructional Staff	575,368	167,403	742,771
Board of Education	88,860	0	88,860
Administration	934,516	111,782	1,046,298
Fiscal Services	382,613	6,688	389,301
Business	140,495	0	140,495
Operation & Maintenance of Plant	807,611	356,001	1,163,612
Pupil Transportation	715,246	41,465	756,711
Central	238,798	129,894	368,692
Operation of Non-Instructional Services	0	468,523	468,523
Extracurricular Activities	241,192	189,986	431,178
Capital Outlay	0	112,339	112,339
Debt Service:			
Principal Retirement	0	57,500	57,500
Interest & Fiscal Charges	0	6,782	6,782
Total Expenditures	12,275,244	2,080,651	14,355,895
Excess (Deficiency) of Revenues Over Expenditures			
	(149,032)	(61,569)	(210,601)
Other Financing Sources (Uses):			
Other Financing Sources - Capital Lease	26,893	4,776	31,669
Transfers In	0	64,377	64,377
Transfers Out	(64,377)	0	(64,377)
Refund of P/Y Expenditures	186,399	1,008	187,407
Total Other Financing Sources (Uses)	148,915	70,161	219,076
Net Change in Fund Balance	(117)	8,592	8,475
Fund Balances at Beginning of Year	1,221,630	513,419	1,735,049
Decrease in Inventory Reserve	(2,800)	(190)	(2,990)
Fund Balances End of Year	\$ 1,218,713	\$ 521,821	\$ 1,740,534

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended June 30,2004***

Net Change in Fund Balances - Total Governmental Funds \$ 8,475

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (97,266)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (48,080)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (148,747)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 79,260

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (1)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (23,161)

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (105,737)

Change in Net Assets of Governmental Activities \$ (335,257)

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30,2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 3,474,422	\$ 4,304,514	\$ 4,307,091	\$ 2,577
Tuition	413,000	484,065	515,641	31,576
Transportation Fees	82,071	126,816	137,116	10,300
Investment Earnings	40,000	40,000	36,471	(3,529)
Intergovernmental - State	7,341,334	7,020,967	7,203,661	182,694
Intergovernmental - Federal	7,415	27,415	18,731	(8,684)
All Other Revenues	26,800	6,300	5,714	(586)
Total Revenues	11,385,042	12,010,077	12,224,425	214,348
Expenditures:				
Current:				
Instructional Services:				
Regular	6,073,584	6,070,093	5,923,802	146,291
Special	992,968	1,058,123	1,073,977	(15,854)
Vocational	293,976	302,358	300,437	1,921
Other	44,000	81,645	61,781	19,864
Support Services:				
Pupils	784,398	787,345	713,153	74,192
Instructional Staff	594,336	594,351	579,697	14,654
Board of Education	111,183	111,183	96,171	15,012
Administration	985,975	985,689	947,908	37,781
Fiscal Services	389,549	394,998	386,033	8,965
Business	142,961	142,961	141,156	1,805
Operation and Maintenance of Plant	840,012	840,012	831,423	8,589
Pupil Transportation	778,732	763,732	736,471	27,261
Central	287,951	287,951	254,514	33,437
Extracurricular Activities	244,633	244,633	240,943	3,690
Total Expenditures	12,564,258	12,665,074	12,287,466	377,608
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,179,216)	(654,997)	(63,041)	591,956
Other Financing Sources (Uses):				
Transfers Out	(64,377)	(64,377)	(64,377)	0
Advances In	59,000	59,000	59,000	0
Advances Out	0	(175,200)	(175,200)	0
Refund of Prior Year's Expenditures	9,410	44,610	50,033	5,423
Total Other Financing Sources (Uses):	4,033	(135,967)	(130,544)	5,423
Net Change in Fund Balance	(1,175,183)	(790,964)	(193,585)	597,379
Fund Balance at Beginning of Year	2,066,632	2,066,632	2,066,632	0
Prior Year Encumbrances	135,355	135,355	135,355	0
Fund Balance at End of Year	\$ 1,026,804	\$ 1,411,023	\$ 2,008,402	\$ 597,379

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 262,565
Receivables:	
Accounts	<u>2,480</u>
Total Assets	<u>265,045</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	<u>170,000</u>
Total Liabilities	<u>170,000</u>
Net Assets:	
Unrestricted	<u>95,045</u>
Total Net Assets	<u>\$ 95,045</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Service	\$ 1,837,603
Total Operating Revenues	<u>1,837,603</u>
Operating Expenses:	
Contractual Services	<u>1,943,340</u>
Total Operating Expenses	<u>1,943,340</u>
Change in Net Assets	(105,737)
Net Assets Beginning of Year	<u>200,782</u>
Net Assets End of Year	<u><u>\$ 95,045</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30,2004

	Governmental Activities Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$1,837,603
Cash Payments for Goods and Services	<u>(1,925,820)</u>
Net Cash Used by Operating Activities	<u>(88,217)</u>
Net Decrease in Cash and Cash Equivalents	(88,217)
Cash and Cash Equivalents at Beginning of Year	<u>350,782</u>
Cash and Cash Equivalents at End of Year	<u><u>\$262,565</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$105,737)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,480)
Increase in Claims Payable	<u>20,000</u>
Total Adjustments	<u>17,520</u>
Net Cash Used by Operating Activities	<u><u>(\$88,217)</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust			
	Special Trust Fund	District Agency Fund	Student Activity Fund	Total
Assets:				
Cash and Cash Equivalents	\$ 16,565	\$ 9,436	\$ 27,590	\$ 53,591
Investments	49,853	0	0	49,853
Total Assets	<u>66,418</u>	<u>9,436</u>	<u>27,590</u>	<u>103,444</u>
Liabilities:				
Due to Others	0	9,436	0	9,436
Due to Students	0	0	27,590	27,590
Total Liabilities	<u>0</u>	<u>9,436</u>	<u>27,590</u>	<u>37,026</u>
Net Assets:				
Unrestricted	66,418	0	0	66,418
Total Net Assets	<u>\$ 66,418</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,418</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30,2004

	Private Purpose Trust
	<u>Special Trust Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 7,100
Investment Earnings:	
Interest	<u>3,667</u>
Total Additions	<u>10,767</u>
Deductions:	
Administrative Expenses	2,697
Community Gifts, Awards and Scholarships	<u>6,250</u>
Total Deductions	<u>8,947</u>
Change in Net Assets	1,820
Net Assets at Beginning of Year	<u>64,598</u>
Net Assets End of Year	<u><u>\$ 66,418</u></u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

C. Basis of Presentation and Measurement Focus – Financial Statements

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

Property taxes measurable as of June 30, 2004, but which are not intended to finance fiscal year 2004 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

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

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2004.

3. Appropriations

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations (Continued)

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

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

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

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	(\$117)
Increase (Decrease):	
Accrued Revenues at June 30, 2004, received during FY 2005	(504,154)
Accrued Revenues at June 30, 2003, received during FY 2004	349,949
Accrued Expenditures at June 30, 2004, paid during FY 2005	1,519,179
Accrued Expenditures at June 30, 2003, paid during FY 2004	(1,364,707)
FY 2003 Prepays for FY 2004	14,086
FY 2004 Prepays for FY 2005	(27,372)
Encumbrances Outstanding	(180,449)
Budget Basis	<u>(\$193,585)</u>

F. Cash and Cash Equivalents

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

The District has invested funds in the STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

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

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

2. Depreciation

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

<u>Description</u>	<u>Governmental Activities Estimated Lives (in years)</u>
Land Improvements	5-7
Building and Improvements	20 - 50
Machinery, Equipment, Furniture and Fixtures	4 - 20
Vehicles	3 - 6
Buses	10 - 18

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Obligation Bond Retirement Fund
Intergovernmental Payable	General Fund, Food Services Fund, Student Activity Fund, Other State Grant Fund, Title VI-B Fund, Title I Fund, Other Federal Grants Fund, Chapter II Fund, Interactive Distance Learning Fund, Drug Free School Grant Fund
Compensated Absences	General Fund, Food Services Fund
Capital Lease	Permanent Improvement Fund

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

L. Net Assets

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

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

M. Pensions

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

N. Interfund Activity

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Restricted Assets

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

P. Reservations of Fund Balance

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

Q. Estimates

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

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

S. Operating Revenues and Expenses

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2004.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The respective fund deficits at June 30, 2004 of \$36,564 in the Food Service Fund, \$6,853 in the Title VI-B Fund, \$5,295 in the Chapter I Fund (special revenue) and \$7 in the Emergency School Building Repair Fund (capital project) arise from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2004, expenditures exceeded appropriations at the function level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
General Fund	
Instructional Services - Special	\$15,855

The excess expenditures were funded from available fund balance.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of this state, and any county, township, school district, municipal corporation or other legally constituted taxing subdivision of this state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

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

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

Deposits:

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

Investments:

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

A. Deposits

At fiscal year end the carrying amount of the District's deposits was \$1,073,490 and the bank balance was \$1,186,639. The Federal Deposit Insurance Corporation (FDIC) covered \$398,000 of the bank balance, and all remaining deposits were classified as Category 3.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$37,227, which includes \$12,390 assigned from other District funds.

B. Investments

The District's investments at June 30, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation Notes	\$0	\$799,819	\$799,819
Repurchase Agreements	58,100	0	58,100
Total Categorized Investments	58,100	799,819	857,919
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	1,403,690
Total Investments	<u>\$58,100</u>	<u>\$799,819</u>	<u>\$2,261,609</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,087,427	\$1,247,672
Investments:		
STAR Ohio	(1,403,690)	1,403,690
Repurchase Agreements	(58,100)	58,100
Certificates of Deposit (with maturities of more than 3 months)	<u>447,853</u>	<u>(447,853)</u>
Per GASB Statement No. 3	<u>\$1,073,490</u>	<u>\$2,261,609</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the District. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2001. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 4 - PROPERTY TAXES (Continued)

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

The assessed value upon which the fiscal year 2004 receipts were based are:

	2003 Second Half Collections	2004 First Half Collections
Agricultural/Residential and Other Real Estate	\$144,263,680	\$145,369,480
Public Utility Personal	8,144,830	8,019,270
Tangible Personal Property	5,795,660	5,786,920
Total Assessed Value	<u>\$158,204,170</u>	<u>\$159,175,670</u>
Tax rate per \$1,000 of assessed valuation	\$58.48	\$69.38

NOTE 5 - RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 6 - TRANSFERS

Following is a summary of transfers in and out for all funds for the fiscal year 2004:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$64,377
Debt Service Fund:		
General Obligation Bond Retirement Fund	64,377	0
Total All Funds	<u>\$64,377</u>	<u>\$64,377</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2004:

Fund	Interfund Loan Receivables	Interfund Loan Payables
General Fund	\$175,200	\$0
Special Revenue Fund:		
Food Service Fund	0	24,000
Capital Projects Fund:		
Permanent Improvement Fund	0	151,200
Totals	<u>\$175,200</u>	<u>\$175,200</u>

These interfund loans are short-term loans to cover temporary cash deficits.

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2004:

Historical Cost:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Capital assets not being depreciated:				
Land	\$107,448	\$0	\$0	\$107,448
Capital assets being depreciated:				
Land Improvements	234,144	0	0	234,144
Buildings and Improvement	3,999,807	0	0	3,999,807
Machinery and Equipment	2,043,101	245,536	(233,550)	2,055,087
Vehicles	1,103,134	55,785	(36,340)	1,122,579
Total Cost	<u>\$7,487,634</u>	<u>\$301,321</u>	<u>(\$269,890)</u>	<u>\$7,519,065</u>

Accumulated Depreciation:

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Land Improvements	(\$65,868)	\$0	\$0	(\$65,868)
Buildings and Improvement	(1,354,469)	(127,464)	0	(1,481,933)
Machinery and Equipment	(1,130,434)	(205,171)	189,722	(1,145,883)
Vehicles	(340,652)	(65,952)	32,088	(374,516)
Total Depreciation	<u>(\$2,891,423)</u>	<u>(\$398,587) *</u>	<u>\$221,810</u>	<u>(\$3,068,200)</u>
Net Value:	<u>\$4,596,211</u>			<u>\$4,450,865</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 8 - CAPITAL ASSETS (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$209,454
Support Services:	
Pupils	4,980
Instructional Staff	10,020
Administration	10,349
Fiscal	2,772
Business	180
Operations & Maintenance of Plant	26,651
Pupil Transportation	70,044
Central	12,795
Operation of Non-Instructional Services	4,844
Extracurricular Activities	46,498
Total Depreciation Expense	<u>\$398,587</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2003, (latest information available) 8.17% was allocated to fund the pension benefit and 5.83% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$256,896, \$279,667, and \$237,744, respectively, which were equal to the required contributions for each year.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2003 employer contribution rate (latest information available) that was used to fund health care for the year 2003 was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$144,736.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204,930,737 and the target level was \$307.4 million. Net assets available for payment of benefits at June 30, 2003 was \$303.6 million.

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

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2003, (latest information available) 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$841,356, \$802,848, and \$768,816, respectively, which were equal to the required contributions for each year.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2003, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$60,097 for the District. The balance of the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, the net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 10 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Detail of the changes in the general obligation bond, capital leases and compensated absences of the District for the year ended June 30, 2004 is as follows:

	Balance			Balance	Amount Due
	June 30, 2003	Additions	Deductions	June 30, 2004	Within One Year
Governmental Activities:					
General Obligation Bond:					
Energy Conservation - 1994 5.98%	\$115,000	\$0	(\$57,500)	\$57,500	\$57,500
Capital Leases Payable	141,598	31,669	(53,429)	119,838	27,034
Compensated Absences	955,601	394,569	(379,119)	971,051	32,752
Total Governmental Activities	<u>\$1,212,199</u>	<u>\$426,238</u>	<u>(\$490,048)</u>	<u>\$1,148,389</u>	<u>\$117,286</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2004 follows:

	<u>General Obligation Bond</u>	
<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2005	<u>\$57,500</u>	<u>\$3,439</u>
Totals	<u>\$57,500</u>	<u>\$3,439</u>

NOTE 11 - CAPITALIZED LEASE

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The original cost of the assets under capital lease was \$147,419.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2004:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2005	\$36,722
2006	36,722
2007	36,722
2008	29,514
2009	2,841
Minimum Lease Payments	142,521
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(22,683)</u>
Present Value of minimum lease payments	<u>\$119,838</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 12 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2003	(\$80,549)	(\$228,897)	(\$309,446)
Current Year Set-Aside Requirement	244,792	244,792	489,584
Current Year Offset Credits	0	(410,343)	(410,343)
Qualifying Disbursements	(194,785)	(63,687)	(258,472)
Total	<u>(\$30,542)</u>	<u>(\$458,135)</u>	<u>(\$488,677)</u>
Cash Balance Carried Forward to FY 2005	<u>(\$30,542)</u>	<u>(\$458,135)</u>	<u>(\$488,677)</u>
Amount Restricted for Textbook Reserve			<u>\$0</u>
Total Restricted Assets			<u>\$0</u>

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

NOTE 13 – RELATED ORGANIZATION

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 14- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2004 the District contracted with Indiana Insurance Company for insurance coverage, as follows:

Insurance Provider	Coverage	Deductible
Indiana Insurance Company	Property, General Liability, and Errors & Omissions	\$2500

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

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

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

The School District also maintains a limited medical insurance program for employees which was started in fiscal year 2000. Premiums are paid to a third party administrator, Heller Associates Inc. The claims are processed by the third party administrator and monitored by the School District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. The outstanding claims at June 30, 2004, for the medical self-insurance program amounted to \$170,000.

The claims liability reported in the fund at June 30, 2004 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2004 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2003	\$85,000	\$1,674,413	(\$1,609,413)	\$150,000
2004	150,000	1,943,340	(1,923,340)	170,000

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General fund. During fiscal year 2004, the school district paid \$7,888 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2004, the School District paid \$2,286 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts’ elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2004, the School District paid no monies to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

NOTE 16 - CONSTRUCTION COMMITMENTS

As of June 30, 2004, the District had the following commitment with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Track Resurfacing	\$188,032	Sep-04
South Gym Steps	26,476	Aug-04
Elementary Play Ground	16,985	Jul-04
High School Asbestos Project	82,703	Aug-04
Install Air Conditioning in High School	23,120	Aug-04
HVAC Repairs	19,730	Jul-04
Total	<u>\$357,046</u>	

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004***

NOTE 17 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

C. State School Funding

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

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

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

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$34,269		\$34,269
National School Breakfast Program	05PU-2003 05PU-2004	10.553	\$2,191 7,959		\$2,191 7,959	
Total National School Breakfast Program			10,150		10,150	
National School Lunch Program	LL-P4-2003	10.555	30,803 89,511		30,803 89,511	
Total National School Lunch Program			120,314		120,314	
Total U.S. Department of Agriculture - Nutrition Cluster			130,464	34,269	130,464	34,269
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Education Agencies (ESEA Title I)	C1-S1 2003 C1-S1 2004	84.010	(1,790) 184,604		183,085	
Total Grants to Local Education Agencies (ESEA Title I)			182,814		183,085	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SD 2003-P 6B-SD 2004-P 6B-SF 2003 6B-SF 2004	84.027	31,665 29,622		26,479 30,861	
Total Special Education Grants to States (IDEA Part B)			206,264 267,551		204,550 267,919	
Drug-Free Schools Grant	DR-S1 2003 DR-S1 2004	84.186	173 7,744		1,081 5,891	
Total Drug-Free Schools Grant			7,917		6,972	
Innovative Educational Program Strategies	C2-S1 2003 C2-S1 2004	84.298	(70) 15,885		14,389	
Total Innovative Educational Program Strategies			15,815		14,389	
Technology Literacy Challenge Grant	TJS1 2004	84.318	2,834		2,299	
Improving Teacher Quality Grant	TRS1 2003 TRS1 2004	84.367	(236) 70,968		7,990 59,390	
Total Improving Teacher Quality Grant			70,732		67,380	
<i>Passed through Ohio School Facilities Commission</i>						
Federal Emergency Repair Grant	N/A	84.352A	214,598		282,520	
Total Department of Education			762,261		824,564	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Development Disabilities</i>						
Medicaid	N/A	93.778	12,196		12,196	
Total Department of Health and Human Services			12,196		12,196	
Total Federal Assistance			\$904,921	\$34,269	\$967,224	\$34,269

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal funds is not included on the Schedule.

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Milton-Union Exempted Village School District, Miami County, (the "District") as of and for the year ended June 30, 2004, and have issued our report dated December 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 2, 2004.

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 2, 2004.

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

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

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

Betty Montgomery
Auditor of State

December 2, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Milton-Union Exempted Village School District, Miami County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 2, 2004.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

December 2, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Federal Emergency Repair Grant (CFDA #84.352A)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Failure of District's health insurance third party administrator to obtain SAS-70/88 report.	Yes	



**Auditor of State
Betty Montgomery**

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2004**