
Milton-Union Exempted Village School District
Miami County, Ohio

Basic Financial Statements

June 30, 2009

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Milton-Union Exempted Village School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Milton-Union Exempted Village School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 21, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District) as of and for the year ended June 30, 2009, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Clark, Schaefer, Haskett & Co." The signature is written in a cursive style with a large initial 'C' and a stylized 'S'.

Springfield, Ohio
December 3, 2009

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009***

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, 2009. 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 2009 are as follows:

- ❑ Net assets increased \$24,487,248. This resulted in year end net assets that were more than four times greater than the previous year.
- ❑ General revenues accounted for \$13,461,584 in revenue or 34% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$26,152,590 or 66% of total revenues of \$39,614,174.
- ❑ The District had \$15,126,926 in expenses related to governmental activities; \$26,152,590 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,461,584 were also available to provide for these programs.
- ❑ The general fund had \$13,453,608 in revenues and \$12,625,155 in expenditures. The general fund's fund balance increased \$455,247 to \$3,734,736.

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, 2009***

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.

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, 2009*

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2009 compared to 2008.

	Governmental Activities		Increase (Decrease)
	2009	2008	
Current and other assets	\$55,132,985	\$11,025,756	\$44,107,229
Capital assets, Net	5,165,317	4,493,376	671,941
Total assets	60,298,302	15,519,132	44,779,170
Long-term liabilities	16,237,536	1,246,416	14,991,120
Other liabilities	12,215,413	6,914,611	5,300,802
Total liabilities	28,452,949	8,161,027	20,291,922
Net assets			
Invested in capital assets, net of related debt	4,426,952	4,368,866	58,086
Restricted	25,942,622	676,594	25,266,028
Unrestricted	1,475,779	2,312,645	(836,866)
Total net assets	\$31,845,353	\$7,358,105	\$24,487,248

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2009 compared with 2008:

	Governmental Activities		Increase (Decrease)
	2009	2008	
Revenues			
Program revenues:			
Charges for Services and Sales	\$1,307,656	\$1,305,301	\$2,355
Operating Grants and Contributions	1,026,026	987,489	38,537
Capital Grants and Contributions	23,818,908	7,069	23,811,839
Total Program Revenues	26,152,590	2,299,859	23,852,731
General revenues:			
Property Taxes	5,373,223	5,397,424	(24,201)
Income Taxes	372,005	0	372,005
Intergovernmental, Unrestricted	7,452,508	7,218,487	234,021
Other	263,848	322,569	(58,721)
Total General Revenues	13,461,584	12,938,480	523,104
Total Revenues	39,614,174	15,238,339	24,375,835
Program Expenses			
Instruction	8,339,738	8,090,712	249,026
Support Services:			
Pupils	806,740	749,718	57,022
Instructional Staff	776,765	720,893	55,872
Board of Education	72,191	91,002	(18,811)
Administration	1,123,591	1,107,794	15,797
Fiscal Services	400,555	406,766	(6,211)
Business	130,092	128,433	1,659
Operation and Maintenance of Plant	993,695	908,058	85,637
Pupil Transportation	875,077	716,543	158,534
Central	338,326	479,481	(141,155)
Operation of Non-Instructional Services	619,080	590,360	28,720
Extracurricular Activities	567,152	516,093	51,059
Interest and Fiscal Charges	83,924	0	83,924
Total expenses	15,126,926	14,505,853	621,073
Total Change in Net Assets	24,487,248	732,486	23,754,762
Beginning Net Assets	7,358,105	6,625,619	732,486
Ending Net Assets	\$31,845,353	\$7,358,105	\$24,487,248

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

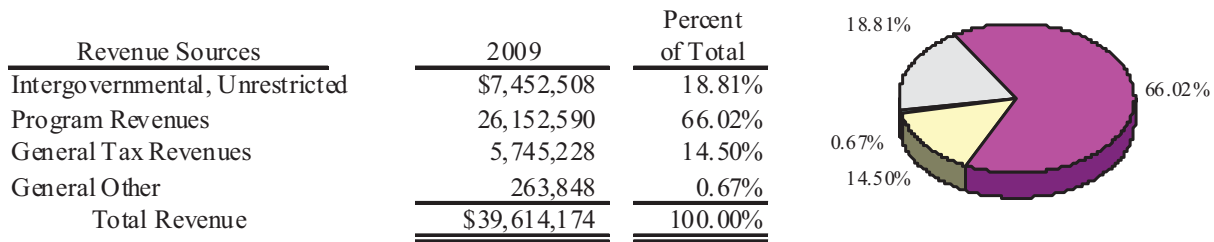
Unaudited

Governmental Activities

Net assets of the District's governmental activities increased \$24,487,248 due mostly to an increase in capital grants and contributions received for school building construction. Collection of a 1.25% income tax began in fiscal 2009, resulting in \$372,005 of receipts from income tax. Expenses remained stable, increasing \$621,073 or approximately 4%.

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.

Taxes made up 15% of revenues for governmental activities for Milton-Union Schools in fiscal year 2009. 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 \$20,795,892, which is above last year's total of \$4,051,357. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)
General	\$3,734,736	\$3,279,489	\$455,247
School Facilities	14,800,285	247,584	14,552,701
Other Governmental	2,260,871	524,284	1,736,587
Total	\$20,795,892	\$4,051,357	\$16,744,535

School Facilities Fund – The School Facilities fund reported bond proceeds as well as capital grants to be used for new school construction.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

Unaudited

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

	2009	2008	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$5,008,228	\$5,025,527	(\$17,299)
Tuition	694,998	701,925	(6,927)
Investment Earnings	210,857	254,304	(43,447)
Extracurricular Activities	1,994	2,692	(698)
Intergovernmental - State	7,417,188	7,245,799	171,389
Intergovernmental - Federal	111,598	6,243	105,355
All Other Revenue	8,745	5,709	3,036
Total	<u>\$13,453,608</u>	<u>\$13,242,199</u>	<u>\$211,409</u>

General Fund revenues in 2009 increased approximately 2% compared to revenues in fiscal year 2008. A decrease in interest rates resulted in the decrease in investment earnings. An increase in personal property tax phase out reimbursements contributed to the increase in intergovernmental state revenues while a one time settlement in community alternative funding resulted in the increase in intergovernmental federal revenues.

	2009	2008	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Instruction	\$7,661,146	\$7,576,901	\$84,245
Supporting Services:			
Pupils	800,910	726,106	74,804
Instructional Staff	703,017	622,309	80,708
Board of Education	72,617	94,438	(21,821)
Administration	994,616	970,070	24,546
Fiscal Services	396,142	385,430	10,712
Business	130,779	127,317	3,462
Operation & Maintenance of Plant	932,525	887,427	45,098
Pupil Transportation	637,288	622,099	15,189
Central	253,102	259,370	(6,268)
Extracurricular Activities	43,013	35,078	7,935
Total	<u>\$12,625,155</u>	<u>\$12,306,545</u>	<u>\$318,610</u>

Overall, expenditures increased \$318,610 or approximately 3% 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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

Unaudited

During the course of fiscal year 2009 the District amended its General Fund budget several times, none significant. For the General Fund, actual budget basis revenue of \$13.4 million was slightly higher than original budget estimates of \$13.1 million due mostly to increases in intergovernmental revenues. Final budgeted revenues were not materially different from actual revenues. Budget basis expenditures were approximately 4% less than final budget estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2009 the District had \$5,165,317 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2009 and 2008 balances:

	Governmental Activities		Increase (Decrease)
	2009	2008	
Land	\$107,448	\$107,448	\$0
Construction in Progress	923,497	0	923,497
Land Improvements	617,781	600,816	16,965
Buildings and Improvements	4,293,316	4,291,066	2,250
Machinery and Equipment	2,222,736	2,198,525	24,211
Vehicles	1,494,299	1,434,943	59,356
Less: Accumulated Depreciation	<u>(4,493,760)</u>	<u>(4,139,422)</u>	<u>(354,338)</u>
Totals	<u>\$5,165,317</u>	<u>\$4,493,376</u>	<u>\$671,941</u>

The increase in machinery and equipment can be attributed to the purchase of computers. The purchase of buses resulted in the increase in vehicles. Construction in progress represents the ongoing construction of a new school building which will replace all existing school facilities within the District with a new kindergarten through grade twelve building on one site.

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

Debt

The following table summarizes the District's debt outstanding as of June 30, 2009 and 2008:

	2009	2008
Governmental Activities:		
Revenue Bonds:		
School Improvement	\$15,070,039	\$0
Capital Leases Payable	95,794	124,510
Compensated Absences	<u>1,071,703</u>	<u>1,121,906</u>
Totals	<u>\$16,237,536</u>	<u>\$1,246,416</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

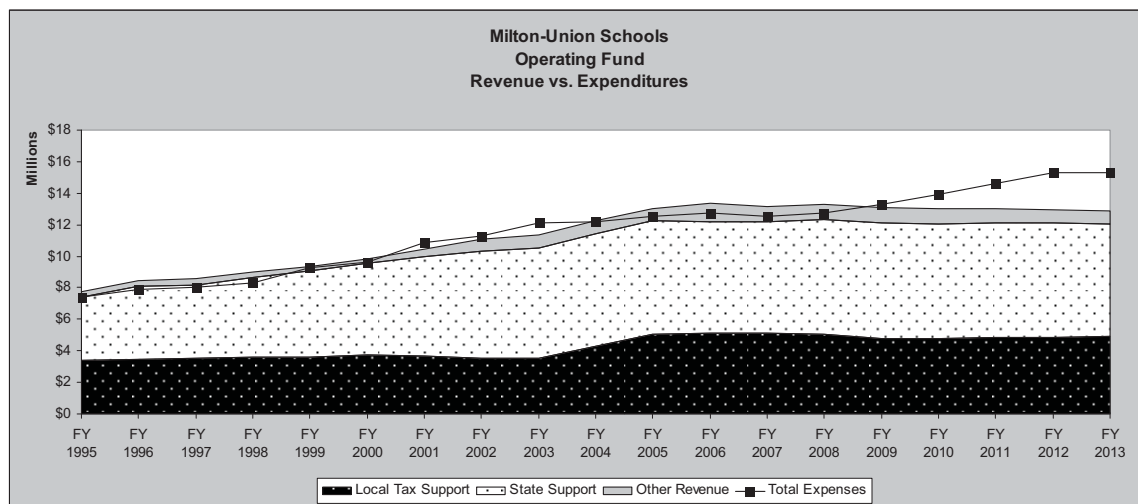
Unaudited

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, 2009, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The figures presented in the following analysis are cash basis.

Milton-Union Schools ended the 2008-09 school year with a \$5,203,490 General Fund cash balance. This represents 4.7 months of General Fund expenditures. This balance was possible due to the passage of a 10.9 mil levy in 2003. Milton-Union Schools had a positive General Fund cash flow of \$380,301 in 2008-09. Operating Revenues and Other Financing Sources totaled \$13,451,624, representing a 1% growth. Operating Expenditures and Other Financing Uses totaled \$13,071,325, representing a 2.8% growth in expenditures. However, without the \$247,852 advance from the General Fund to the Permanent Improvement fund, the growth in expenditures would have been 0.8%.



Operating Revenues:

Milton-Union's General Fund revenues increased by 1% over 2007-08 revenue.

The two largest sources of revenue are State Foundation and Reimbursements and Local Property Taxes.

State Foundation and Reimbursements make up 55% of total General Fund (operating) revenue. The state of Ohio is facing serious revenue issues due to the recession. The state developed a new funding formula for school districts for FY2010, however, due to the economic recession, the funding from state sources are projected to remain flat for the immediate future. Property tax reimbursements are projected to increase as the decrease in the reappraised value of Tangible Personal Property is phased in. Reimbursements will flatten out after FY10 and begin to phase out in FY13.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

Unaudited

Milton-Union's second largest source (37%) of General Fund revenue is local Property Tax collections. Two factors are effecting property tax collections. Real property tax collections will be reduced slightly due to the new \$25,000 senior citizen homestead exemption. This lost revenue will be replaced by the state. The second factor effecting property tax collections is the reduction in assessed value of Tangible Personal Property. The state will replace this lost revenue through 2012 and then will reduce the reimbursement to zero by 2017. Otherwise, due to HB920, property tax collections remain relatively static unless new millage is passed.

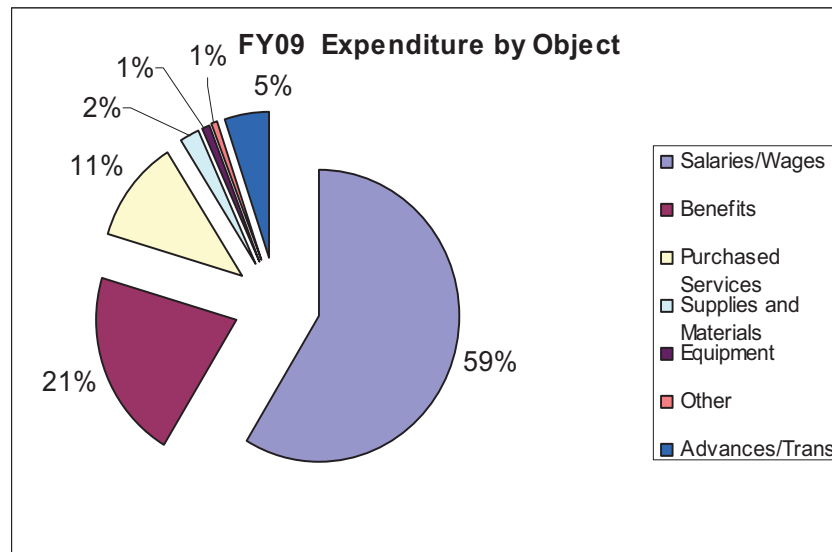
Since the full collection of the 10.9 mil levy, total operating revenues have averaged a 0.04% increase annually.

In summary, overall revenue is projected to remain relatively flat over the next five years.

Operating Expenditures:

Overall 2008-09 General Fund expenditures increased by 2.8% over 2007-2008. Approximately 80 percent of Milton-Union FY2009 operating expenses were for salaries and benefits. The remaining 20 percent was spent on contracted services, supplies, equipment and other miscellaneous expenses. Operating Salaries increased by about 4% in FY09. Benefit costs increased 3.5 percent. The FY08 ratio of benefits to salaries is approximately 35.76%. Contracted services expenditures remained at FY08 level.

Since the 2002-03 school year, total operating expenditures have increased by about 1.25 percent annually.



MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009***

Unaudited

Conclusion:

Milton-Union School District's revenues exceeded expenditures during fiscal year 2009. The district forecast indicates one more year (FY10) of positive cash flow before the district begins deficit spending. The administration is studying current expenditures to determine if cuts can be made. Based on current trends the board would have a negative cash balance by June 2014. State of Ohio budget problems are effecting state funding. There is a possibility of state funding cuts during FY10. Should this come to pass, the districts financial outlook will be much poorer. Management will continue to monitor economic influences and to review staffing and other expenditures. In conclusion, management faces significant financial challenges, but has committed itself to financial stability in the future.

REQUESTS FOR INFORMATION

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

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 2,423,302
Investments	23,779,064
Receivables:	
Taxes	5,588,593
Accounts	2,373
Intergovernmental	21,855,242
Interest	2,363
Inventory of Supplies at Cost	14,097
Prepaid Items	29,181
Deferred Charge	280,926
Restricted Assets:	
Cash and Cash Equivalents	71,713
Investments	1,086,131
Non-Depreciable Capital Assets	1,030,945
Depreciable Capital Assets, Net	4,134,372
Total Assets	60,298,302
Liabilities:	
Accounts Payable	132,902
Accrued Wages and Benefits	1,607,502
Intergovernmental Payable	408,152
Unearned Revenue - Taxes	4,964,411
Accrued Interest Payable	83,924
Bond Anticipation Notes Payable	5,000,000
Compensated Absences Payable	18,522
Long Term Liabilities:	
Due Within One Year	80,356
Due in More Than One Year	16,157,180
Total Liabilities	28,452,949
Net Assets:	
Invested in Capital Assets, Net of Related Debt	4,426,952
Restricted For:	
Capital Projects	24,549,365
Debt Service	1,090,650
Other Purposes	302,607
Unrestricted	1,475,779
Total Net Assets	\$ 31,845,353

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, 2009

		Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue and
		Services and	Grants and	and	Changes in
		Sales	Contributions	Contributions	Net Assets
	Expenses				Governmental
					Activities
Governmental Activities:					
Instruction	\$ 8,339,738	\$ 799,546	\$ 494,949	\$ 23,803,946	\$ 16,758,703
Support Services:					
Pupils	806,740	0	34,778	0	(771,962)
Instructional Staff	776,765	0	62,910	0	(713,855)
Board of Education	72,191	0	0	0	(72,191)
Administration	1,123,591	0	104,515	0	(1,019,076)
Fiscal Services	400,555	0	0	0	(400,555)
Business	130,092	0	0	0	(130,092)
Operation and Maintenance of Plant	993,695	0	0	0	(993,695)
Pupil Transportation	875,077	0	0	14,962	(860,115)
Central	338,326	0	14,000	0	(324,326)
Operation of Non-Instructional Services	619,080	325,892	314,874	0	21,686
Extracurricular Activities	567,152	182,218	0	0	(384,934)
Interest and Fiscal Charges	83,924	0	0	0	(83,924)
Total Governmental Activities	<u>\$ 15,126,926</u>	<u>\$ 1,307,656</u>	<u>\$ 1,026,026</u>	<u>\$ 23,818,908</u>	<u>11,025,664</u>
General Revenues					
Property Taxes Levied for:					
					5,033,179
					340,044
					372,005
					7,452,508
					228,166
					35,682
					<u>13,461,584</u>
					24,487,248
					<u>7,358,105</u>
					<u>\$ 31,845,353</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 852,232	\$ 253,465	\$ 1,317,605	\$ 2,423,302
Investments	4,262,717	19,516,347	0	23,779,064
Receivables:				
Taxes	5,007,434	0	581,159	5,588,593
Accounts	1,876	0	497	2,373
Intergovernmental	0	21,841,875	13,367	21,855,242
Interest	545	1,248	570	2,363
Interfund Loans Receivable	247,852	0	0	247,852
Inventory of Supplies at Cost	10,484	0	3,613	14,097
Prepaid Items	26,229	0	2,952	29,181
Restricted Assets:				
Cash and Cash Equivalents	71,713	0	0	71,713
Investments	0	0	1,086,131	1,086,131
Total Assets	\$ 10,481,082	\$ 41,612,935	\$ 3,005,894	\$ 55,099,911
Liabilities:				
Accounts Payable	\$ 110,410	\$ 0	\$ 22,492	\$ 132,902
Accrued Wages and Benefits	1,497,664	0	109,838	1,607,502
Intergovernmental Payable	365,803	0	42,349	408,152
Interfund Loans Payable	0	0	247,852	247,852
Deferred Revenue - Taxes	4,753,947	0	321,569	5,075,516
Deferred Revenue	0	21,775,379	923	21,776,302
Accrued Interest Payable	0	37,271	0	37,271
Bond Anticipation Notes Payable	0	5,000,000	0	5,000,000
Compensated Absences Payable	18,522	0	0	18,522
Total Liabilities	6,746,346	26,812,650	745,023	34,304,019
Fund Balances:				
Reserved for Encumbrances	152,984	1,819,164	89,286	2,061,434
Reserved for Prepaid Items	26,229	0	2,952	29,181
Reserved for Supplies Inventory	10,484	0	3,613	14,097
Reserved for Debt Service	0	0	1,090,650	1,090,650
Reserved for Property Taxes	207,735	0	14,159	221,894
Reserved for Textbooks and Instructional Supplies	71,713	0	0	71,713
Unreserved, Undesignated in:				
General Fund	3,265,591	0	0	3,265,591
Special Revenue Funds	0	0	356,056	356,056
Capital Projects Funds	0	12,981,121	704,155	13,685,276
Total Fund Balances	3,734,736	14,800,285	2,260,871	20,795,892
Total Liabilities and Fund Balances	\$ 10,481,082	\$ 41,612,935	\$ 3,005,894	\$ 55,099,911

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, 2009***

Total Governmental Fund Balances	\$ 20,795,892
<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.	5,165,317
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	21,887,407
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(13,702,982)
Bond Premium	(1,367,057)
Deferred Bond Issuance Costs	280,926
Capital Leases	(95,794)
Compensated Absences	(1,071,703)
Accrued Interest Payable	(46,653)
	<u>(16,003,263)</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 31,845,353</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, 2009**

	<u>General</u>	<u>School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Sources:				
Taxes	\$ 5,008,228	\$ 0	\$ 678,516	\$ 5,686,744
Tuition	694,998	0	104,548	799,546
Investment Earnings	210,857	15,309	2,000	228,166
Extracurricular Activities	1,994	0	180,224	182,218
Food Services	0	0	325,892	325,892
Intergovernmental - State	7,417,188	2,028,567	105,949	9,551,704
Intergovernmental - Federal	111,598	0	865,005	976,603
All Other Revenue	8,745	0	21,320	30,065
Total Revenue	13,453,608	2,043,876	2,283,454	17,780,938
Expenditures:				
Current:				
Instruction	7,661,146	0	580,139	8,241,285
Supporting Services:				
Pupils	800,910	0	32,799	833,709
Instructional Staff	703,017	0	76,987	780,004
Board of Education	72,617	0	0	72,617
Administration	994,616	0	104,774	1,099,390
Fiscal Services	396,142	0	14,298	410,440
Business	130,779	0	0	130,779
Operation and Maintenance of Plant	932,525	0	49,491	982,016
Pupil Transportation	637,288	0	135,063	772,351
Central	253,102	0	75,111	328,213
Operation of Non-Instructional Services	0	0	612,827	612,827
Extracurricular Activities	43,013	0	474,954	517,967
Capital Outlay	0	909,302	97,630	1,006,932
Debt Service:				
Interest & Fiscal Charges	0	37,271	303,026	340,297
Total Expenditures	12,625,155	946,573	2,557,099	16,128,827
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	828,453	1,097,303	(273,645)	1,652,111

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

	General	School Facilities	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Bond Issuance	0	13,702,982	0	13,702,982
Premium on Bond Issuance	0	0	1,389,157	1,389,157
Transfers In	0	0	1,219,470	1,219,470
Transfers Out	(377,164)	(247,584)	(594,722)	(1,219,470)
Refund of Prior Year Expenditures	11,075	0	92	11,167
Refund of Prior Year Receipts	(1,251)	0	(4,299)	(5,550)
Total Other Financing Sources (Uses)	<u>(367,340)</u>	<u>13,455,398</u>	<u>2,009,698</u>	<u>15,097,756</u>
Net Change in Fund Balance	461,113	14,552,701	1,736,053	16,749,867
Fund Balance at Beginning of Year	3,279,489	247,584	524,284	4,051,357
Increase (Decrease) in Inventory Reserve	(5,866)	0	534	(5,332)
Fund Balance End of Year	<u>\$ 3,734,736</u>	<u>\$ 14,800,285</u>	<u>\$ 2,260,871</u>	<u>\$ 20,795,892</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended June 30, 2009***

Net Change in Fund Balances - Total Governmental Funds \$ 16,749,867

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. 683,826

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (11,885)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 21,827,619

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.

General Obligation Bonds Issued	(13,702,982)	
Premium on Bonds Issued	(1,367,057)	
Deferred Bond Issuance Cost	280,926	
Capital Lease Principal Payment	<u>28,716</u>	(14,760,397)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (46,653)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 44,871

Change in Net Assets of Governmental Activities \$ 24,487,248

See accompanying notes to the basic financial statements

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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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 4,847,770	\$ 4,978,993	\$ 4,978,992	\$ (1)
Tuition	706,000	697,250	694,998	(2,252)
Investment Earnings	210,000	210,000	204,224	(5,776)
Extracurricular Activities	2,700	2,700	1,994	(706)
Intergovernmental - State	7,289,667	7,333,272	7,417,188	83,916
Intergovernmental - Federal	6,243	73,443	111,598	38,155
All Other Revenues	3,700	7,500	9,123	1,623
Total Revenues	<u>13,066,080</u>	<u>13,303,158</u>	<u>13,418,117</u>	<u>114,959</u>
Expenditures:				
Current:				
Instructional Services:				
Regular	6,296,650	6,333,547	6,280,604	52,943
Special	1,266,798	1,207,708	1,160,344	47,364
Vocational	132,820	111,462	106,605	4,857
Other	195,000	184,500	173,196	11,304
Support Services:				
Pupils	728,546	811,600	796,618	14,982
Instructional Staff	640,229	693,644	668,246	25,398
Board of Education	136,283	132,123	80,371	51,752
Administration	1,045,858	1,079,839	1,026,575	53,264
Fiscal Services	408,076	413,526	392,115	21,411
Business	128,982	129,937	128,052	1,885
Operation and Maintenance of Plant	992,436	1,082,412	961,816	120,596
Pupil Transportation	690,954	732,501	629,518	102,983
Central	277,964	297,753	261,326	36,427
Extracurricular Activities	39,837	47,939	42,921	5,018
Total Expenditures	<u>12,980,433</u>	<u>13,258,491</u>	<u>12,708,307</u>	<u>550,184</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	85,647	44,667	709,810	665,143

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers In	21,207	21,207	21,207	0
Transfers Out	(401,807)	(401,807)	(398,371)	3,436
Advances Out	0	(247,852)	(247,852)	0
Refund of Prior Year Expenditures	9,800	11,870	12,299	429
Refund of Prior Year Receipts	(3,088)	(3,108)	(1,251)	1,857
Total Other Financing Sources (Uses):	<u>(373,888)</u>	<u>(619,690)</u>	<u>(613,968)</u>	<u>5,722</u>
Net Change in Fund Balance	(288,241)	(575,023)	95,842	670,865
Fund Balance at Beginning of Year	4,667,617	4,667,617	4,667,617	0
Prior Year Encumbrances	<u>155,571</u>	<u>155,571</u>	<u>155,571</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,534,947</u>	<u>\$ 4,248,165</u>	<u>\$ 4,919,030</u>	<u>\$ 670,865</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust		
	Special Trust Fund	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 6,662	\$ 38,312	\$ 44,974
Investments	43,916	0	43,916
Total Assets	<u>50,578</u>	<u>38,312</u>	<u>88,890</u>
Liabilities:			
Accounts Payable	6,000	0	6,000
Due to Others	0	324	324
Due to Students	0	37,988	37,988
Total Liabilities	<u>6,000</u>	<u>38,312</u>	<u>44,312</u>
Net Assets:			
Unrestricted	44,578	0	44,578
Total Net Assets	<u>\$ 44,578</u>	<u>\$ 0</u>	<u>\$ 44,578</u>

See accompanying notes to the basic financial statements

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
	Special Trust Fund
Additions:	
Contributions:	
Private Donations	\$ 2,158
Total Contributions	<u>2,158</u>
Investment Earnings:	
Interest	1,847
Total Investment Earnings	<u>1,847</u>
Total Additions	<u>4,005</u>
Deductions:	
Community Gifts, Awards and Scholarships	12,025
Total Deductions	<u>12,025</u>
Change in Net Assets	(8,020)
Net Assets at Beginning of Year	<u>52,598</u>
Net Assets End of Year	<u>\$ 44,578</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, 2009

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 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 are the District's major governmental funds:

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

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.

School Facilities Fund - This fund accounts for state grant monies and bond proceeds to be used for the construction of new school facilities.

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

C. Basis of Presentation and Measurement Focus – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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.

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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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.

Fiduciary funds are reported using the economic resources measurement focus.

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, 2009, but which are not intended to finance fiscal year 2009 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2009.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1st of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1st of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the function level for the General Fund and at the fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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)	\$461,113
Increase (Decrease):	
Accrued Revenues at June 30, 2009, received during FY 2010	(486,933)
Accrued Revenues at June 30, 2008, received during FY 2009	204,814
Accrued Expenditures at June 30, 2009, paid during FY 2010	1,992,399
Accrued Expenditures at June 30, 2008, paid during FY 2009	(1,787,978)
FY 2008 Prepays for FY 2009	23,115
FY 2009 Prepays for FY 2010	(26,229)
Encumbrances Outstanding	(284,459)
Budget Basis	<u>\$95,842</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

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 2009. 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, 2009. 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. 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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2. Depreciation

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

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

J. Long-Term Obligations

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

L. Net Assets

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

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

M. Pensions

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. Restricted Assets

Restricted assets represent cash and cash equivalents in a bond reserve account and amounts set aside to establish reserves for textbooks. The textbook reserves are required by state statute.

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies, prepaid items, 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, 2009, 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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits – The fund deficits at June 30, 2009 of \$2,118 in the Other Federal Grants Fund, \$7,188 in the Title VI-B Fund, and \$38,439 in the Chapter I Fund (special revenue) arises from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

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

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

A. Deposits

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

At fiscal year end the carrying amount of the District's deposits was \$6,702,602 and the bank balance was \$6,757,388. Federal depository insurance covered \$6,220,871 of the bank balance. The remaining balance of \$536,517 was collateralized with securities held by the pledging institution but not in the name of the District and therefore was subject to custodial credit risk.

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

B. Investments

The District's investments at June 30, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$1,581,461	AAAm ¹	\$1,581,461	\$0	\$0
US Agency Mutual Funds	13,334,622	AAA ^{1,2}	13,334,622	0	0
FNMA	1,094,158	AAA ^{1,2}	0	504,220	589,938
FHLB	901,567	AAA ^{1,2}	0	502,190	399,377
FHLMC	1,235,750	AAA ^{1,2}	0	0	1,235,750
FFCB	1,098,625	AAA ^{1,2}	0	0	1,098,625
Corporate Notes	1,500,315	AAA ^{1,2}	0	1,500,315 ^a	0
Total Investments	<u>\$20,746,498</u>		<u>\$14,916,083</u>	<u>\$2,506,725</u>	<u>\$3,323,690</u>

¹ Standard & Poor's

² Moody's Investor Service

^a The corporate notes are included in the FDIC Temporary Liquidity Guarantee Program and are guaranteed by the FDIC and full faith and credit of the United States government.

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

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 7.6% is STAR Ohio, 64.3% are United States Agency Mutual Funds, 5.2% are FNMA, 4.4% are FHLB, 6.0% are FHLMC, 5.3% are FFCB, and 7.2% are Corporate Bonds.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$2,539,989	\$24,909,111
Certificates of Deposit (with maturities of more than 3 months)	5,744,074	(5,744,074)
STAR Ohio	(1,581,461)	1,581,461
Per GASB Statement No. 3	<u>\$6,702,602</u>	<u>\$20,746,498</u>

NOTE 4 - PROPERTY TAXES

A. Property Tax

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 2009 were levied after April 1, 2008 on assessed values as of January 1, 2008, 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 2007. 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. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to zero in 2009. 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, 2009**

NOTE 4 - PROPERTY TAXES (Continued)

A. Property Tax (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 2009 receipts were based are:

	2008 Second Half Collections	2009 First Half Collections
Agricultural/Residential and Other Real Estate	\$175,014,220	\$176,216,780
Public Utility Personal	7,322,360	7,511,750
Tangible Personal Property	2,188,390	1,601,340
Total Assessed Value	<u>\$184,524,970</u>	<u>\$185,329,870</u>
Tax rate per \$1,000 of assessed valuation	\$69.38	\$69.38

B. Income Tax

The District levies a 1.25 percent, dual purpose, earned income tax levy. Of the 1.25 percent, 1.15 percent is used to provide the local portion of a school facilities project that will replace all existing school facilities within the District with a new kindergarten through grade twelve building on one site. The remaining 0.10 percent of the total levy amount is used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General and Capital Improvement Funds.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2009, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2009:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$247,852	\$0
Other Governmental Funds	0	247,852
Totals	<u>\$247,852</u>	<u>\$247,852</u>

These Interfund Loans are short-term loans to cover a temporary cash deficit.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for the fiscal year 2009:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$377,164
School Facilities Fund	0	247,584
Other Governmental Funds	1,219,470	594,722
Total All Funds	<u>\$1,219,470</u>	<u>\$1,219,470</u>

Transfers out of the School Facilities Fund and Other Governmental Funds consist of amounts allocated for school facilities maintenance as well as local matching of funds for school facilities construction as required by the Ohio School Facilities Commission Program.

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2009:

Historical Cost:

Class	June 30, 2008	Additions	Deletions	June 30, 2009
Capital assets not being depreciated:				
Land	\$107,448	\$0	\$0	\$107,448
Construction in Progress	0	923,497	0	923,497
	<u>107,448</u>	<u>923,497</u>	<u>0</u>	<u>1,030,945</u>
Capital assets being depreciated:				
Land Improvements	600,816	16,965	0	617,781
Buildings and Improvements	4,291,066	2,250	0	4,293,316
Machinery and Equipment	2,198,525	37,604	(13,393)	2,222,736
Vehicles	1,434,943	143,866	(84,510)	1,494,299
	<u>8,525,350</u>	<u>200,685</u>	<u>(97,903)</u>	<u>8,628,132</u>
Total Cost	<u>\$8,632,798</u>	<u>\$1,124,182</u>	<u>(\$97,903)</u>	<u>\$9,659,077</u>

Accumulated Depreciation:

Class	June 30, 2008	Additions	Deletions	June 30, 2009
Land Improvements	(\$179,795)	(\$20,065)	\$0	(\$199,860)
Buildings and Improvements	(2,015,635)	(133,775)	0	(2,149,410)
Machinery and Equipment	(1,314,182)	(185,269)	11,065	(1,488,386)
Vehicles	(629,810)	(101,247)	74,953	(656,104)
Total Depreciation	<u>(\$4,139,422)</u>	<u>(\$440,356) *</u>	<u>\$86,018</u>	<u>(\$4,493,760)</u>
Net Value:	<u>\$4,493,376</u>			<u>\$5,165,317</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 8 - CAPITAL ASSETS (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$216,170
Support Services:	
Pupils	6,668
Instructional Staff	6,802
Board of Education	10,542
Administration	9,668
Fiscal	2,676
Business	729
Operations & Maintenance of Plant	15,053
Pupil Transportation	100,867
Central	10,369
Operation of Non-Instructional Services	10,310
Extracurricular Activities	50,502
Total Depreciation Expense	<u>\$440,356</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 Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$182,140, \$169,858 and \$183,651 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, 2009

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$864,251, \$789,561, and \$837,987 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2009 were \$6,518 made by the District and \$24,995 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$122,010, \$116,166, and \$98,050 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$15,028, \$12,239, and \$12,488 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$66,481, \$60,735, and \$64,461 respectively; which were equal to the required contributions for each year.

NOTE 11 - NOTES PAYABLE

Notes Payable activity of the District for the year ended June 30, 2009, was as follows:

<u>Note Payable</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
School Facilities 1.95%	\$0	\$5,000,000	\$0	\$5,000,000
	<u>\$0</u>	<u>\$5,000,000</u>	<u>\$0</u>	<u>\$5,000,000</u>

These notes were issued in anticipation of the issuance of general obligation bonds for the purpose of school building improvements.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Details of the changes in the long term debt of the District for the year ended June 30, 2009 is as follows:

	Balance			Amount Due	
	June 30, 2008	Additions	Deductions	Balance June 30, 2009	Within One Year
Governmental Activities:					
Revenue Bonds:					
School Improvement 3.0% - 5.0%	\$0	\$13,702,982	\$0	\$13,702,982	\$0
Bond Premium	0	1,367,057	0	1,367,057	0
Total General Obligation Bonds:	0	15,070,039	0	15,070,039	0
Capital Leases Payable	124,510	0	(28,716)	95,794	31,488
Compensated Absences	1,121,906	683,035	(733,238)	1,071,703	48,868
Total Governmental Activities	<u>\$1,246,416</u>	<u>\$15,753,074</u>	<u>(\$761,954)</u>	<u>\$16,237,536</u>	<u>\$80,356</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, 2009 follows:

Years	General Obligation Bond	
	Principal	Interest
2010	\$0	\$562,980
2011	520,000	558,326
2012	535,000	542,501
2013	550,000	526,226
2014	565,000	509,501
2015-2019	632,982	4,797,146
2020-2024	3,155,000	2,200,417
2025-2029	3,900,000	1,426,352
2030-2032	3,845,000	395,316
Totals	<u>\$13,702,982</u>	<u>\$11,518,765</u>

B. Pledged Revenue

The School District has pledged a portion of the proceeds from the one and one quarter percent (1.25%) Income Tax to repay the \$13.7 million in School Improvement Revenue Bonds issued in June of 2009 to finance the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds are payable solely from the 1.25% income tax levied by the School District on the taxable income of individuals as defined in Section 5748.01(E)(1)(b) of the Ohio Revised Code which went into effect on January 1, 2009 and is for a continuing period of time. From this income tax, 0.1% is collected for current expenses and 1.15% is dedicated solely to provide funds for permanent improvements; from which bond service charges will be made. Income tax dedicated to permanent improvements is projected to produce approximately 170% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$25,221,747, payable through December 1, 2032. For the current year, there were no required principal and interest payments and income tax revenue received related to permanent improvement projects totaled \$372,005.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 13 - 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 \$155,576.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2009:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2010	\$40,071
2011	39,036
2012	31,878
Minimum Lease Payments	110,985
Less: Amount representing interest at the District's incremental borrowing rate of interest	(15,191)
Present Value of minimum lease payments	<u>\$95,794</u>

NOTE 14 – 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, 2009, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2008	(\$2,820)	\$0	(\$2,820)
Current Year Set-Aside Requirement	251,919	251,919	503,838
Current Year Offset Credits	0	(239,499)	(239,499)
Qualifying Disbursements	(177,386)	(28,171)	(205,557)
Total	<u>\$71,713</u>	<u>(\$15,751)</u>	<u>\$55,962</u>
Cash Balance Carried Forward to FY 2010	<u>\$71,713</u>	<u>\$0</u>	<u>\$71,713</u>
Amount Restricted for Textbook Reserve			<u>\$71,713</u>
Total Restricted Assets			<u>\$71,713</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.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009***

NOTE 15 – RELATED ORGANIZATION

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

NOTE 16 - 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 2009 the District contracted with Ohio School Plan for insurance coverage, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Property, General Liability, and Errors & Omissions	\$0 - \$1,000

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

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

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2009

NOTE 17 - 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 2009, the District paid \$84,142 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2009, the District paid \$2,937 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, 2009

NOTE 17 - 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 2009, the District made no contributions 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.

Metropolitan Dayton Educational Computer Association – The District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$28,851 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

NOTE 18 – CONSTRUCTION COMMITMENTS

As of June 30, 2009 the District had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Amount of Commitment</u>	<u>Estimated Date of Completion</u>
New District School Building (K - 12)	\$1,339,692	July 2012

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009***

NOTE 19 - 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, 2009.

B. Litigation

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

NOTE 20 – SUBSEQUENT EVENTS

In November 2009, the District awarded construction contracts to Brumbaugh Construction Company and Saturn Electric Company for \$1,251,701 and \$54,600, respectively, for school facilities construction.

Milton Union Exempted Village School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Number	Receipts	Disbursements
U.S. Department of Agriculture:				
<i>Passed through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	N/A	\$ 69,936	\$ 69,936
Cash Assistance:				
National School Breakfast Program	10.553	05PU-2009	24,635	24,635
National School Lunch Program	10.555	LL-P4-2009	<u>214,174</u>	<u>214,174</u>
Total Nutrition Cluster			308,745	308,745
Total US Department of Agriculture			<u>308,745</u>	<u>308,745</u>
U.S. Department of Education:				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Education Agencies	84.010	C1-S1-2008 C1-S1-2009	- <u>185,598</u>	9,169 <u>187,371</u>
Total Title I Grants to Local Education Agencies			185,598	196,540
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF	301,200	299,669
Special Education Preschool Grant	84.173	PG-S1	<u>4,530</u>	<u>4,530</u>
Total Special Education Cluster			305,730	304,199
Safe and Drug Free Schools and Communities	84.186	DR-S1-2009	7,214	7,896
State Grants for Innovative Programs	84.298	C2-S1-2009	2,211	2,419
Education Technology State Grants	84.318	TJ-S1-2009	1,538	1,534
Improving Teacher Quality State Grants	84.367	TR-S1-2008 TR-S1-2009	3,504 <u>64,180</u>	8,569 <u>64,910</u>
Total Improving Teacher Quality State Grants			67,684	73,479
<i>Passed through Ohio Schools Facilities Commission:</i>				
State Improvement Grant	84.323	N/A	<u>-</u>	<u>898</u>
Total U.S. Department of Education			<u>569,975</u>	<u>586,965</u>
U.S. Department of Health and Human Services:				
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medcial Assistance Program	93.778	N/A	105,132	-
Total U.S. Department of Health and Human Services			<u>105,132</u>	<u>-</u>
Total Federal Assistance			<u>\$ 983,852</u>	<u>\$ 895,710</u>

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

Milton-Union Exempted Village School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

1. Significant Accounting Policies:

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

2. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009 the District had no significant food commodities in inventory.

3. U.S. Department of Health and Human Services Programs:

The District received \$105,132 from the U.S. Department of Health and Human Services for the reimbursement of expenditures that occurred prior to fiscal year 2009 under the Community Alternative Funding Source (CAFS) program.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider item 2009-001 listed in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the District, in a separate letter dated December 3, 2009.

This report is intended solely for the information and use of management, the finance committee, 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.



Springfield, Ohio
December 3, 2009

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

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

Compliance

We have audited the compliance of the Milton-Union Exempted Village School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
December 3, 2009

Milton-Union Exempted Village School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2009

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.555 – Non-Cash Assistance (Donated Commodities)	
CFDA 10.553 – National School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2009-001: Audit Adjustments

Management is responsible for ensuring the financial statements are complete and prepared accurately in accordance with accounting principles generally accepted in the United States of America (GAAP). The audit process should not be considered part of the internal control process over financial reporting to discover errors or misstatements.

During the current audit it was necessary to adjust the financial statements of the School District for unrecorded receivable amounts which were not included during the GAAP conversion process. Other, insignificant adjustments were also posted to the financial statement as a result of audit procedures however these adjustments were not significant to the financial statements.

The School should work with the firm compiling the financial statements to ensure all financial transactions are properly accrued and reported in the appropriate year.

Management Response: The District is aware of the corrections noted in the audit. Having accurate statements are of the highest priorities of the District. As recommended, we plan to discuss items that are new to the District with our conversion firm as well as the auditor to ensure the statements are accurate in the future.

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None reported

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Milton-Union Exempted Village School District (the District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 9, 2006 and which is supplemented by the School District’s Administrative Guidelines Section 5517.01.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” Stat. 571, 20 O.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio
December 3, 2009



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success



Mary Taylor, CPA
Auditor of State

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 5, 2010**