
Milton-Union Exempted Village School District
Miami County, Ohio

Basic Financial Statements

June 30, 2011

(with Independent Auditors' Report)



Dave Yost • 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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 3, 2012

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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, 2011, 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.

Ohio Administrative Code Section 117-02-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and certain disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in cash basis financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 1 describes.

As described in Note 3, during the year ended June 30, 2011, the District changed its method of accounting for financial reporting as well as adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund balance Reporting and Governmental Fund Type Definitions*.

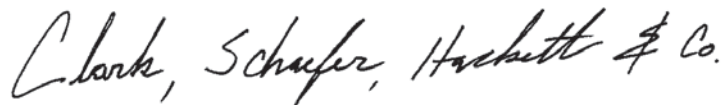
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions 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 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio
November 30, 2011

The discussion and analysis of the Milton-Union Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and related note disclosures to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- Total net cash assets decreased by 15.3 percent from fiscal year 2010 due to pooled cash and investments used during fiscal year 2011 for construction costs associated with the School Facilities Project (the SFP). The SFP is the construction of a single school campus which will house kindergarten through twelfth grade students that will replace all the existing school buildings within the School District.
- Total cash receipts for the fiscal year were \$9.1 million less than those received in the prior fiscal year, or 24.9 percent. The decrease in cash receipts is attributed to \$8.2 million in debt receipts received in fiscal year 2010 as well as the \$1.6 million decrease in state funding posted to the School Facilities Fund. The School District issued bonds to provide financing for the SFP which will be completed in fiscal year 2013. The state funding associated with the SFP will vary from year to year based on scheduled draws from the Ohio School Facilities Commission (OSFC).
- Total cash disbursements reported for fiscal year 2011 were \$8.6 million more than those reported for fiscal year 2010, or 34.8 percent. The increase in expenditures is primarily due a \$13.2 million increase in capital outlay associated with the SFP which was partially offset by the \$4.4 million decrease in debt service expenditures as the School District paid off \$5.0 million of bond anticipation notes in the previous year which was used to temporarily finance construction costs of the SFP.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting, which is a basis other than accounting principles generally accepted in the United States of America (GAAP). Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the cash basis of accounting, the School District's receipts and disbursements and the related cash assets are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activity of the whole School District. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, major funds, with all other non-major funds presented in total in a single column.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program cash receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District presents all of its activities as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major fund. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and school facilities capital project fund.

Governmental Funds

All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using the cash basis of accounting and provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support programs of the School District. The cash basis of accounting is also used for fiduciary funds.

Milton-Union Exempted Village School District
Miami County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The School District as a Whole

Table 1 provides a summary of the School District's net cash assets reported at June 30, 2011 compared to one year prior:

**TABLE 1
NET CASH ASSETS
GOVERNMENTAL ACTIVITIES**

	2011	Restated 2010	Change
Cash Assets:			
Total Assets	<u>\$ 33,053,110</u>	<u>\$ 39,037,753</u>	<u>\$ (5,984,643)</u>
Net Cash Assets:			
Restricted	27,186,027	33,462,867	(6,276,840)
Unrestricted	5,867,083	5,574,886	292,197
Total Net Cash Assets	<u>\$ 33,053,110</u>	<u>\$ 39,037,753</u>	<u>\$ (5,984,643)</u>

Table 2 shows the changes in net cash assets for fiscal year 2011 as compared to fiscal year 2010.

**TABLE 2
CHANGES IN NET CASH ASSETS
GOVERNMENTAL ACTIVITIES**

	2011	Restated 2010	Change
Receipts			
Program Receipts:			
Charges for Services	\$ 1,508,723	\$ 1,373,635	\$ 135,088
Operating Grants and Contributions	1,675,431	1,529,447	145,984
General Receipts:			
Property Taxes	5,209,718	5,230,350	(20,632)
Income Taxes	1,863,401	1,250,736	612,665
Grants and Entitlements	16,732,555	18,413,934	(1,681,379)
Debt Issuance and Premiums	-	8,210,529	(8,210,529)
Other	371,677	405,296	(33,619)
Total Receipts	<u>27,361,505</u>	<u>36,413,927</u>	<u>(9,052,422)</u>
Program Expenditures			
Instruction	8,731,165	8,723,098	8,067
Support Services:			
Pupil and Instructional Staff	1,316,254	1,658,486	(342,232)
Board of Education, Administration, Fiscal and Business	1,980,332	1,846,404	133,928
Plant Operation and Maintenance	913,672	975,433	(61,761)
Pupil Transportation	817,333	661,466	155,867
Central	345,016	360,244	(15,228)
Operation of Non-Instructional Services	573,710	554,246	19,464
Extracurricular Activities	473,526	490,949	(17,423)
Capital Outlay	16,633,022	3,477,846	13,155,176
Debt Service	1,562,118	5,998,317	(4,436,199)
Total Expenditures	<u>33,346,148</u>	<u>24,746,489</u>	<u>8,599,659</u>
Change in Net Cash Assets	(5,984,643)	11,667,438	(17,652,081)
Net Cash Assets, Beginning of Year	<u>39,037,753</u>	<u>27,370,315</u>	<u>11,667,438</u>
Net Cash Assets, End of Year	<u>\$ 33,053,110</u>	<u>\$ 39,037,753</u>	<u>\$ (5,984,643)</u>

Milton-Union Exempted Village School District
Miami County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

As noted in Table 1, the total net cash assets of the School District reported at the end of the current fiscal year decreased by \$6.0 million from those reported one year prior. The decrease is attributable to the expenditures made during fiscal year 2011 associated with the SFP exceeding the cash receipts received during the year. As the School District issued debt in prior years to fund this project, it was expected that the project's cash balance would decline as construction costs are made over the course of the project. The explanation above also describes the decrease in restricted net cash assets reported at year-end.

As shown in Table 2 above, the total cash receipts of the School District for fiscal year 2011 decreased by \$9.1 million over those received in fiscal year 2010. Funding associated with the SFP fluctuated over the course of the project, with the majority of funding received in fiscal year 2010 and the remainder being received in the current year. In fiscal year 2010, the School District received \$8.2 million in bond issuances and premiums; however, no such debt was issued in the current fiscal year. In addition, state funding for the project is made in accordance with the draw schedule established by the OSFC. In fiscal year 2010 the School District received \$11.3 million from the OSFC while it received \$9.7 million in fiscal year 2011. The decrease in receipts associated with the SFP was in part offset by increase in income tax receipts. The income tax receipts increase was due to the timing difference between when income tax was withheld and returns filed and when tax receipts are remitted back to the School District. Since the income tax was implemented in 2009, the personal tax returns for 2009 were not due until April of 2010 and the remittance of taxes collected along with those returns were not received by the School District until fiscal year 2011. Future income tax receipts should be more consistent from year to year. Increases in open enrollment payments for fiscal year 2011 resulted in the nearly \$170,000 increase in tuition and fees receipts.

For fiscal year 2011, program cash receipts totaled \$3.2 million and general cash receipts were \$24.2 million; equal to 11.6 and 88.4 percent of the total cash receipts for the year respectively. While the state funding received for the SFP has inflated the general receipts reported, the School District remains heavily reliant on non-local sources to fund its operations. Property tax receipts totaled \$5.2 million or 21.5 percent of total general cash receipts for fiscal year 2011.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services for each function for fiscal year 2011 as compared with fiscal year 2010.

**TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
GOVERNMENTAL ACTIVITIES**

	2011		Restated 2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,731,165	\$ 6,743,499	\$ 8,723,098	\$ 7,028,845
Support Services:				
Pupil and Instructional Staff	1,316,254	1,179,243	1,658,486	1,544,543
Board of Education, Administration, Fiscal and Business	1,980,332	1,868,671	1,846,404	1,732,456
Plant Operation and Maintenance	913,672	743,233	975,433	789,615
Pupil Transportation	817,333	817,333	661,466	661,466
Central	345,016	333,191	360,244	348,385
Operation of Non-Instructional Services	573,710	(28,636)	554,246	(52,375)
Extracurricular Activities	473,526	310,320	490,949	314,309
Capital Outlay	16,633,022	16,633,022	3,477,846	3,477,846
Debt Service	1,562,118	1,562,118	5,998,317	5,998,317
Total Expenditures	<u>\$ 33,346,148</u>	<u>\$ 30,161,994</u>	<u>\$ 24,746,489</u>	<u>\$ 21,843,407</u>

Milton-Union Exempted Village School District
Miami County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Total expenditures of the School District increased by \$8.6 million (34.8 percent) in fiscal year 2011 compared with the previous year. While capital outlay expenditures associated with the SFP increased by \$13.2 million during the year, debt service expenditures decreased by \$4.4 million as the School District paid off a short-term note in fiscal year 2010 when long-term bonds were issued. Instructional staff support services expenditures decreased by just over \$315,000 as the School District reduced the number of aides employed for fiscal year 2011 as part of budget reduction plan. The Business Manger resigned at the beginning of the fiscal year and was not replace which resulted in a decrease of approximately \$89,000 in expenditures associated with the business office. Transportation functional expenditures increased for fiscal year 2011 as the School District purchased two new school busses; in fiscal year 2010 it did not purchase any.

Expenditures for instructional services represent 57.6 percent of total expenditures less capital and debt service. Program cash receipts financed \$2.0 million of the instructional expenditures while general receipts were used to cover the remaining \$6.7 million of expenditures. In total, \$3.2 million of program cash receipts offset \$33.3 million with the remaining \$30.2 million (90.7 percent) of expenditures being funded with general cash receipts.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The general fund had a 5.2 percent increase in fund balance from the prior fiscal year. This increase is attributed to receipts which were \$17,655 more than those received in the prior year and expenditures that were \$354,045 less than the prior year. This change was partially offset by an increase in the total other financing uses increase of \$234,382 for the year. The \$5.9 million ending fund balance of the general fund represents 46.7 percent of the total general fund disbursements reported for the year.

The school facilities capital project fund had a substantial decrease in fund balance as grant resources and carryover fund balance were spent on the construction of the School District's new school campus.

General Fund Budgeting Highlights

The School 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.

For the general fund, budget basis revenue was \$13.0 million as compared to the original budget estimates of \$12.8 million. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$12.5 million, or just over \$665,000 (5.0 percent) less than what was originally budgeted. As the revenue growth for the School District is limited, management continues its efforts to control spending in all areas possible.

Debt Administration

At June 30, 2011, the School District had the following debt outstanding: three bond issues with a combined outstanding principal of \$19.1 million (\$790,000 due within one year), \$1.8 million outstanding in certificates of participation (\$40,000 due within one year), and two separate capital lease obligations which outstanding principal of \$171,927 (\$34,472 due within one year). During the year, the School District entered into a capital lease obligation totaling \$189,088 to finance the acquisition of several copiers to be used throughout the School District. Total principal payments made on all debt obligations during fiscal year 2011 were \$766,467 million.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Note 10 to the basic financial statements.

Current Issues

The School District is in the middle of construction of a new school building which will replace all existing school facilities within the School District which will bring all students in kindergarten through grade twelve together at one site. The total cost of this project is approximately \$42 million and is being jointly financed by State (Ohio School Facilities Commission) and local resources. Construction through June 30, 2011 is estimated at approximately \$20.1 million. At June 30, 2011 the School District had \$18.7 million of construction commitments outstanding related to the project. Estimated completion date of the new facility is anticipated in April of 2012, with occupancy to occur in the summer months of 2012.

The School District's receipts exceeded expenditures for fiscal year 2011 however the financial forecast indicates expenditures exceeding receipts starting in fiscal year 2012. Based on current trends, the School District's most recent five-year forecast (October 11, 2011) projects a positive cash balance through fiscal year 2015. State of Ohio budget problems are effecting state funding for school districts across the State. While state funding cuts for fiscal year 2011 were less than what was previously communicated, significant fluctuations in state funding makes forecasting financial condition difficult, at best, and could have unexpected negative impacts on future budgets. Management will continue to monitor economic influences and review staffing and other expenditures as part of its commitment to financial stability for the future despite the significant financial challenges which could occur.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Charles Klein, Treasurer, Milton-Union Exempted Village School District, 112 South Spring Street, West Milton, OH 45383 or call (937) 884-7910.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Net Assets - Cash Basis
 June 30, 2011

	Governmental Activities
Cash Assets	
Equity in pooled cash, cash equivalents, and investments	\$ 33,053,110
	\$ 33,053,110
 Net Cash Assets	
Restricted for:	
Capital projects	\$ 25,103,969
Debt service	1,820,155
Food service operations	144,355
Education grants	100,715
Student activities	16,833
Unrestricted	5,867,083
Total Net Cash Assets	\$ 33,053,110

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Year Ended June 30, 2011

	Cash Disbursements	Program Cash Receipts		Net (Expenditure) Receipt and Changes in Net Cash Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 6,810,246	\$ 967,614	\$ 488,241	\$ (5,354,391)
Special	1,552,534	93,326	438,485	(1,020,723)
Vocational	40,869	-	-	(40,869)
Student intervention services	23,011	-	-	(23,011)
Other	304,505	-	-	(304,505)
Support Services:				
Pupils	818,087	-	21,050	(797,037)
Instructional staff	498,167	-	115,961	(382,206)
Board of education	121,167	-	-	(121,167)
Administration	1,305,024	-	111,661	(1,193,363)
Fiscal	509,468	-	-	(509,468)
Business	44,673	-	-	(44,673)
Operation and maintenance of Plant	913,672	1,205	169,234	(743,233)
Pupil transportation	817,333	-	-	(817,333)
Central	345,016	-	11,825	(333,191)
Operation of non-instructional services	573,710	284,395	317,951	28,636
Extracurricular activities	473,526	162,183	1,023	(310,320)
Capital Outlay	16,633,022	-	-	(16,633,022)
Debt Service:				
Principal	685,000	-	-	(685,000)
Interest	877,118	-	-	(877,118)
Total Governmental Activities	\$ 33,346,148	\$ 1,508,723	\$ 1,675,431	(30,161,994)
General Cash Receipts				
Property Taxes Levied for:				
General purposes				4,879,538
Capital projects				330,180
Income Taxes Levied for:				
General purposes				149,072
Capital projects				1,714,329
Grants and entitlements not restricted to specific purposes				16,732,555
Interest				364,036
Miscellaneous				7,641
Total General Receipts				24,177,351
Change in Net Cash Assets				(5,984,643)
Net Cash Assets Beginning of Year - Restated				39,037,753
Net Cash Assets End of Year				\$ 33,053,110

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:				
Equity in pooled cash, cash equivalents and investments	\$ 5,769,255	\$ 22,175,357	\$ 5,010,670	\$ 32,955,282
Restricted Assets:				
Equity in pooled cash, cash equivalents and investments	<u>97,828</u>	<u>-</u>	<u>-</u>	<u>97,828</u>
Total Assets	<u>\$ 5,867,083</u>	<u>\$ 22,175,357</u>	<u>\$ 5,010,670</u>	<u>\$ 33,053,110</u>
Fund Balances:				
Restricted for:				
Capital projects	\$ -	\$ 22,175,357	\$ 2,928,612	\$ 25,103,969
Debt service	-	-	1,820,155	1,820,155
Food service operations	-	-	144,355	144,355
Student activities	-	-	16,833	16,833
Federal education grants	-	-	87,182	87,182
Other education grants	-	-	13,533	13,533
Textbooks/instructional supplies	97,828	-	-	97,828
Committed for:				
Employee termination benefits	237,101	-	-	237,101
Assigned for:				
School activities	40,219	-	-	40,219
Future expenditures	108,889	-	-	108,889
Unassigned	<u>5,383,046</u>	<u>-</u>	<u>-</u>	<u>5,383,046</u>
Total Fund Balances	<u>\$ 5,867,083</u>	<u>\$ 22,175,357</u>	<u>\$ 5,010,670</u>	<u>\$ 33,053,110</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Property and other local taxes	\$ 4,879,538	\$ -	\$ 330,180	\$ 5,209,718
Income tax	149,072	-	1,714,329	1,863,401
Intergovernmental	6,891,609	9,711,116	1,757,394	18,360,119
Interest	103,635	233,829	26,572	364,036
Tuition and fees	1,060,939	-	-	1,060,939
Extracurricular activities	60,021	-	102,162	162,183
Customer sales and services	-	-	284,395	284,395
Miscellaneous	11,399	4,250	47,614	63,263
Total Receipts	13,156,213	9,949,195	4,262,646	27,368,054
Cash Disbursements				
Current:				
Instruction:				
Regular	6,386,754	-	423,492	6,810,246
Special	1,120,044	-	432,490	1,552,534
Vocational	40,869	-	-	40,869
Student intervention services	13,213	-	9,798	23,011
Other	288,122	-	16,383	304,505
Support Services:				
Pupils	793,305	-	24,782	818,087
Instructional staff	379,256	-	118,911	498,167
Board of education	121,167	-	-	121,167
Administration	1,193,662	-	111,362	1,305,024
Fiscal	470,390	-	39,078	509,468
Business	44,673	-	-	44,673
Operation and maintenance of Plant	701,352	-	212,320	913,672
Pupil transportation	657,571	-	159,762	817,333
Central	249,217	-	95,799	345,016
Operation of non-instructional services	-	-	573,710	573,710
Extracurricular activities	103,340	-	370,186	473,526
Capital Outlay	-	15,618,212	1,014,810	16,633,022
Debt Service:				
Principal	-	-	685,000	685,000
Interest	-	-	877,118	877,118
Total Disbursements	12,562,935	15,618,212	5,165,001	33,346,148
Excess of Receipts Over(Under)				
Disbursements	593,278	(5,669,017)	(902,355)	(5,978,094)
Other Financing Sources (Uses):				
Transfers in	-	-	1,893,581	1,893,581
Advances in	37,246	-	44,700	81,946
Refund of prior year expenditures	2,612	1,524	180	4,316
Transfers out	(296,804)	-	(1,596,777)	(1,893,581)
Advances out	(44,700)	-	(37,246)	(81,946)
Refund of prior year receipts	-	-	(10,865)	(10,865)
Total Other Financing Sources (Uses)	(301,646)	1,524	293,573	(6,549)
Net Change in Fund Balance	291,632	(5,667,493)	(608,782)	(5,984,643)
Fund Balance, Beginning of Year - Restated	5,575,451	27,842,850	5,619,452	39,037,753
Fund Balance, End of Year	\$ 5,867,083	\$ 22,175,357	\$ 5,010,670	\$ 33,053,110

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balance (Budgetary Basis)
General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
Property and other local taxes	\$ 4,840,868	\$ 4,879,538	\$ 4,879,538	\$ -
Income tax	162,324	149,072	149,072	-
Intergovernmental	6,829,137	6,891,343	6,891,609	266
Interest	86,000	101,000	103,635	2,635
Tuition and fees	847,500	990,461	990,636	175
Miscellaneous	<u>6,200</u>	<u>12,393</u>	<u>12,906</u>	<u>513</u>
Total Receipts	<u>12,772,029</u>	<u>13,023,807</u>	<u>13,027,396</u>	<u>3,589</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	6,573,334	6,562,619	6,339,872	222,747
Special	1,139,418	1,186,791	1,120,041	66,750
Vocational	56,962	56,080	41,709	14,371
Other	179,915	310,204	301,333	8,871
Support Services:				
Pupils	899,840	876,495	794,370	82,125
Instructional staff	410,397	426,861	379,879	46,982
Board of education	132,931	141,114	122,678	18,436
Administration	1,178,516	1,254,961	1,186,571	68,390
Fiscal	457,533	533,805	496,630	37,175
Business	67,856	50,509	44,674	5,835
Operation and maintenance of plant	845,768	840,621	717,709	122,912
Pupil transportation	815,644	771,286	685,926	85,360
Central	376,941	356,082	249,552	106,530
Extracurricular activities	<u>45,571</u>	<u>43,584</u>	<u>34,673</u>	<u>8,911</u>
Total Disbursements	<u>13,180,626</u>	<u>13,411,012</u>	<u>12,515,617</u>	<u>895,395</u>
Excess of Receipts Over(Under) Disbursements	<u>(408,597)</u>	<u>(387,205)</u>	<u>511,779</u>	<u>898,984</u>
Other Financing Sources (Uses):				
Advances in	19,000	54,000	37,246	(16,754)
Refund of prior year expenditures	6,550	2,650	2,612	(38)
Transfers out	(400,000)	(400,000)	(376,804)	23,196
Advances out	(35,000)	(44,700)	(44,700)	-
Refund of prior year receipts	<u>(200)</u>	<u>(200)</u>	<u>-</u>	<u>200</u>
Total Other Financing Sources (Uses)	<u>(409,650)</u>	<u>(388,250)</u>	<u>(381,646)</u>	<u>6,604</u>
Net Change in Fund Balance	(818,247)	(775,455)	130,133	905,588
Fund Balance at Beginning of Year	5,099,296	5,099,296	5,099,296	-
Prior Year Encumbrances Appropriated	<u>233,600</u>	<u>233,600</u>	<u>233,600</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,514,649</u>	<u>\$ 4,557,441</u>	<u>\$ 5,463,029</u>	<u>\$ 905,588</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Fiduciary Net Assets - Cash Basis
 As of June 30, 2011

	Private Purpose Trust Funds	Agency Funds
Assets		
Equity in pooled cash, cash equivalents, and investments	\$ 44,354	\$ 35,908
Total Assets	\$ 44,354	\$ 35,908
Net Cash Assets	\$ 44,354	\$ 35,908

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Changes in Fiduciary Net Assets - Cash Basis
 Private Purpose Trust Funds
 As of June 30, 2011

	Private Purpose Trust Funds
Additions:	
Gifts and contributions	\$ 2,908
Interest earnings	310
Total Additions	3,218
Deductions:	
Payments in accordance with trust agreements	6,662
Total Deductions	6,662
Change in Net Assets	(3,444)
Net Assets, Beginning of Year - Restated	47,798
Net Assets, End of Year	\$ 44,354

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Milton-Union Exempted Village School District (the School 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 School 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 School 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 School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the criteria imposed by GASB 14 to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, has been applied, to the extent they are applicable to the cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

School Facilities Fund – This fund is used to account for state grant monies provided by the Ohio School Facilities Commission as well as bond proceeds to be used for the construction of new school facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

The fiduciary fund 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and at the fund level for all other funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate requested by the School District prior to fiscal year end.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, the budgetary basis as provided by law is based upon accounting for certain transactions of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance (Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
Cash Basis	\$ 291,632
Encumbrances	(105,226)
Excess(deficit) of Funds Combined with General Fund for Reporting Purposes	<u>(56,273)</u>
Budget Basis	<u>\$ 130,133</u>

Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2011, investments included nonnegotiable certificates of deposits, negotiable certificates of deposit, federal agency securities, money market and mutual funds, municipal bonds, corporate bonds which are protected under the Temporary Liquidity Guarantee Program and STAR Ohio. All investments, with the exception of STAR Ohio, are reported at cost. 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, 2011.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$103,635, which included \$9,215 assigned from other School District funds.

As investments are reported as part of cash assets, purchases are not recorded as disbursements and sales are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively, and reported as interest earnings.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets represent cash set aside to establish reserves for textbooks and instructional supplies, as required state statute.

Capital Assets

Acquisition of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District's governing board. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District's governing board.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Activity

Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 – ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to the cash basis of accounting. Under this comprehensive basis of accounting, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

In addition, during fiscal year 2011, the School District implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The change in the method of accounting for financial reporting and implementation of GASB Statement No. 54 has the following effect on the School District's net assets/fund balances at June 30, 2010, as previously reported:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>School Facilities Fund</u>	<u>Other Governmental Funds</u>
Net Assets/Fund Balance, 6/30/2010, as previously reported	\$ 32,948,751	\$ 3,861,814	\$ 27,797,430	\$ 6,385,964
Accrual Adjustments	6,089,002	1,471,089	45,420	(523,964)
Reclassification of funds required by GASB Statement No. 54	<u>-</u>	<u>242,548</u>	<u>-</u>	<u>(242,548)</u>
Net Assets/Fund Balance, 6/30/2010 as restated	<u>\$ 39,037,753</u>	<u>\$ 5,575,451</u>	<u>\$ 27,842,850</u>	<u>\$ 5,619,452</u>
	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>		
Net Assets/Fund Balance, 6/30/2010, as previously reported	\$ 43,297	\$ -		
Accrual Adjustments	4,501	35,110		
Reclassification of funds required by GASB Statement No. 54	<u>-</u>	<u>-</u>		
Net Assets/Fund Balance, 6/30/2010 as restated	<u>\$ 47,798</u>	<u>\$ 35,110</u>		

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active Monies – These monies are determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific 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 School District's deposits was \$2,229,425 and the bank balance was \$2,480,905; \$1,702,603 of the bank balance was covered by federal depository insurance and the remaining \$778,302 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.

Investments

The School District's investments at June 30, 2011 were as follows:

	Carrying Value	% of Portfolio	Investment Maturities		
			> 1 year	1 to 3 yrs	3 to 5 yrs
STAR Ohio	\$ 2,934,806	9.5%	\$ 2,934,806	\$ -	\$ -
US Money Market Fund	1,686,123	5.5%	1,686,123	-	-
Mutual Funds	2,576,486	8.3%	2,576,486	-	-
Negotiable CDs	18,050,676	58.4%	15,649,979	2,400,697	-
FHLB	3,000,000	9.7%	-	-	3,000,000
Municipal Bonds	133,362	0.4%	-	133,362	-
Corporate Bonds	^A 2,522,494	8.2%	-	2,522,494	-
Total	\$ 30,903,947	100.0%	\$ 22,847,394	\$ 5,056,553	\$ 3,000,000

^A - Corporate bonds 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.

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

Custodial Credit Risk – The negotiable certificates of deposit are insured by the FDIC. The Federal Home Loan Bank notes, US money market fund, and mutual funds are rated AAA by Moody's and Standard & Poor's. The municipal bonds (State of Ohio) carry ratings of AA2 from Moody's and AA from Standard & Poor's. The corporate bonds received a AAA rating from both Moody's and Standard & Poor's, as well as being guaranteed by FDIC through the Temporary Liquidity Guarantee Program. STAR Ohio is rated by AAAM by Standard & Poor's. The School District's has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio. The percentage of each investment to the School District's total portfolio is presented in the table above.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the School District. Real property taxes (other than public utility) collected during 2011 were levied after April 1, 2010 on assessed values as of January 1, 2010, 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 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on 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 assigned. 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 tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected. The tax rate per \$1,000 of assessed valuation was \$69.38 and the assessed values upon which the fiscal year 2011 receipts were based are as follows:

	<u>2011 First Half Collections</u>	<u>2010 Second Half Collections</u>
Agricultural/residential and other real estate property	\$ 175,741,840	\$ 176,892,030
Public utility personal property	7,733,930	7,433,320
Tangible personal property	<u>154,980</u>	<u>318,810</u>
Total	<u>\$ 183,630,750</u>	<u>\$ 184,644,160</u>

NOTE 6 - INCOME TAXES

The School 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 School 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 Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds. Income tax receipts are posted to the general, capital improvement and school facilities maintenance funds.

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with the 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 coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage amounts from those of the prior fiscal year.

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

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson and Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The School District provides medical, dental, vision and life insurance benefits to its employees through the Southwestern Ohio Educational Purchasing Council Medical Benefit 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 districts 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The School 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. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$216,125, \$259,606 and \$182,140 respectively; which was equal to the required contribution for each year.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System

Plan Description - The School 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, 2010 (latest information available), plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$889,880, \$878,458, and \$864,251 respectively; which were equal to the required contributions for each year.

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, 2011, two (2) members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 9 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Plan Description – The School 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 2011, 1.43 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 2011, this amount was \$25,190.

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.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$51,359, \$39,850, and \$122,010 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 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,908, \$15,438, and \$15,028 respectively; which were equal to the required contributions for each year.

State Teachers Retirement System

Plan Description – The School 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 2010 (latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$68,452, \$67,574, and \$66,481 respectively; which were equal to the required contributions for each year.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

The activity of the School Districts long-term obligations during fiscal year 2011 was as follows:

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011	Due within One Year
Governmental Activities:					
2009 SI Revenue Bonds:					
Current Interest Serial 3.0% - 5.0%	\$ 11,055,000	\$ -	\$ 520,000	\$ 10,535,000	\$ 535,000
Current Interest Term 5.0%	2,015,000	-	-	2,015,000	-
Capital Appreciation 4.1% - 5.0%	632,982	-	-	632,982	-
2010 SI Energy Conservation Bonds:					
Current Interest Term 1.2% - 4.0%	985,000	-	65,000	920,000	60,000
Capital Appreciation	12,776	-	-	12,776	-
2009 SI General Obligation Bonds:					
Current Interest Serial 2.0% - 4.0%	1,535,000	-	50,000	1,485,000	195,000
Current Interest Term 4.0% - 4.5%	3,290,000	-	-	3,290,000	-
Capital Appreciation 3.8% - 4.0%	174,997	-	-	174,997	-
2010 Certificates of Participation					
School Improvement 1.8% - 6.375%	1,885,000	-	50,000	1,835,000	40,000
Capital Leases Payable	64,306	189,088	81,467	171,927	34,472
Total General Long-Term Obligations	\$ 21,650,061	\$ 189,088	\$ 766,467	\$ 21,072,682	\$ 864,472

2009 School Improvement Revenue Bonds:

On May 20, 2009 the School District issued \$13,702,982 in revenue bonds for construction of school facilities. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$11,055,000, \$2,015,000, and \$632,982, respectively. The bonds were issued for a twenty-two year period with final maturity on December 1, 2032. The bonds are being retired from the Bond Retirement debt service fund.

The serial and term bonds maturing after December 1, 2020, are subject to redemption at the option of the School District, either in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the School District on or after December 1, 2019, which is 100 percent of the face value of the current interest bonds.

The capital appreciation bonds will mature in fiscal years 2014 to 2018 and have a total maturity amount of \$2,925,000.

The School District has pledged a portion of the proceeds from the one and one-quarter percent (1.25%) income tax to repay the bonds. The bonds are payable solely from the 1.25 percent 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 percent is collected for current expenses and 1.15 percent 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 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$23,580,433, payable through December 1, 2032. For the current year, there the School District paid \$1,078,325 in debt service; \$520,000 in principal and \$558,325 in interest. Income tax receipts related to permanent improvements that were received in fiscal year 2011 totaled \$1,714,329.

NOTE 10 - LONG-TERM OBLIGATIONS (continued)

2009 School Improvement General Obligation Bonds:

On November 3, 2009 the School District issued \$4,999,997 in general obligation bonds for construction of school facilities. The bonds include serial, term, and capital appreciation bonds, in the original amount of \$1,535,000, \$3,290,000, and \$174,997, respectively. The bonds were issued for a twenty-one year period with final maturity on December 1, 2031. The bonds are being retired from the Bond Retirement debt service fund.

The serial and term bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after December 1, 2016 at par, which is 100 percent of the face value of the bonds.

The capital appreciation bonds will mature in fiscal years 2014 to 2016 and have a total maturity amount of \$630,000.

2010 School Improvement Energy Conservation Bonds:

On January 13, 2010 the School District issued \$997,776 in energy conservation bonds for construction of school facilities. The bonds include term and capital appreciation bonds, in the original amount of \$985,000 and \$12,776, respectively. The bonds were issued for a fourteen year period with final maturity on December 1, 2024. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2019 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2017 at the redemption price of 100 percent.

The capital appreciation bonds will mature in fiscal year 2016 and have a total maturity amount of \$65,000.

Principal and interest requirements to retire the School District's outstanding bonds at June 30, 2011 are shown in the table below.

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	\$ 790,000	\$ 756,026	\$ 1,546,026
2013	815,000	734,703	1,549,703
2014	835,000	712,190	1,547,190
2015	320,657	1,239,277	1,559,934
2016	271,955	1,286,517	1,558,472
2017-2021	2,713,143	5,034,735	7,747,878
2022-2026	5,055,000	2,524,241	7,579,241
2027-2031	5,885,000	1,309,628	7,194,628
2032-2033	2,380,000	110,089	2,490,089
Total	<u>\$ 19,065,755</u>	<u>\$ 13,707,406</u>	<u>\$ 32,773,161</u>

NOTE 10 - LONG-TERM OBLIGATIONS (continued)

2010 School Improvement Certificates of Participation:

On March 3, 2010 the School District issued \$1,885,000 in taxable certificates of participation for construction of school facilities. This issue contained a portion of the taxable certificates under the Build America Bond program. These bonds were issued for a twenty-seven year period with final maturity on December 1, 2037. The bonds are being retired from the Bond Retirement debt service fund.

The American Recovery and Reinvestment Act of 2009 allowed entities to issue taxable obligations, referred to as "Build America Bonds", to finance capital expenditures for which they could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35 percent of the corresponding interest payable on such taxable obligations. The School District designated \$35,000 of the base rent underlying the certificates of participation as taxable obligations (Taxable Certificates) and the remaining \$1,850,000 as taxable obligations under the Build America Bond program (Series 2010 BABs).

Each Certificate represents a proportionate interest in the right to receive base rent payments by the School District under the lease agreement. By the assignment, the Lessor has assigned its right to receive base rent payments to the Trustee for the benefit of the owners of the Certificates. Renewals of the lease and the obligations of the School District to make base rent payments after June 30, 2010 are subject to and dependent upon lawful appropriations being made for the that purpose and certification of the sufficiency of those appropriations. The Certificates, the lease and the obligation to make base rent payments do not represent or constitute a debt of, or a pledge of the faith and credit of, the School District. Neither the general credit nor the taxing power of the School District is pledged to payment of the principal of or premium, if any, or interest on the Certificates.

Principal and interest requirements to retire the District's outstanding certificates of participation at June 30, 2011 are shown in the table below.

Certificates of Participation Outstanding:

Fiscal Year Ended June 30,	Taxable Certificates			Effective Debt Service	
	Principal	Interest	Total	Federal Subsidy	Adjusted Total
2012	\$ 40,000	\$ 101,258	\$ 141,258	\$ (35,440)	\$ 105,818
2013	40,000	100,537	140,537	(35,188)	105,349
2014	45,000	99,278	144,278	(34,747)	109,531
2015	45,000	97,477	142,477	(34,117)	108,360
2016	45,000	95,678	140,678	(33,487)	107,191
2017-2021	240,000	447,427	687,427	(156,600)	530,827
2022-2026	285,000	381,120	666,120	(133,391)	532,729
2027-2031	345,000	292,313	637,313	(102,309)	535,004
2032-2036	415,000	175,153	590,153	(61,304)	528,849
2037-2038	335,000	25,978	360,978	(9,093)	351,885
Total	<u>\$ 1,835,000</u>	<u>\$ 1,816,219</u>	<u>\$ 3,651,219</u>	<u>\$ (635,676)</u>	<u>\$ 3,015,543</u>

The Series 2010 BABs maturing on December 1, 2020 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2020 at par, which is 100 percent of the face value of the Series 2010 BABs.

NOTE 10 - LONG-TERM OBLIGATIONS (continued)

In addition, the Series 2010 BABs are subject to extraordinary optional redemption by the School District prior to maturity, in whole at any time or in part on any interest payment date, at a redemption price of 100 percent (expressed as a percentage of the principal amount), plus interest accrued to the date fixed for redemption in the event that the Build America Payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2010 BABs.

Capital Leases - Lessee Disclosure

During the fiscal year, the School District entered into a lease agreement to finance the purchase of several copiers used throughout the School District. Equipment acquired in prior school years was also financed through lease agreements. These lease agreements meet the criteria of capital leases where the lease transfer the benefits and risk of ownership to the lessee. The value of the equipment acquired through capital leases outstanding at June 30, 2011 totaled \$199,132 and principal payments made during the year totaled \$81,467. Principal and interest payments for these capital leases are made from the general fund and district managed student activity special revenue fund and reported within the appropriate function which utilizes the assets.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

	<u>Fiscal Year</u> <u>Ended June 30,</u>	
	2012	\$ 52,300
	2013	49,692
	2014	49,692
	2015	49,692
	2016	<u>16,564</u>
Total		217,940
Less: Amount Representing Interest		<u>(46,013)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 171,927</u>

NOTE 11 – 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 the 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 12 – 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.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Payments to SOEPC are made from the School District's general fund. During fiscal year 2011, the School District paid \$1,819,210 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 School District's general fund. During fiscal year 2011, the District paid \$2,139 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Miami Valley Career Technology Center

The Miami Valley Career Technology Center (MVCTC) 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 2011, the School District paid \$11,120 to MVCTC. 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 School 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 consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$21,002 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive Suite 1C, Dayton, Ohio 45405.

NOTE 13 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 School District at June 30, 2011.

Litigation

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

NOTE 14 – INTERFUND ACTIVITY

Transfers

The following is a summary of the School District's transfers in and out for all funds for fiscal year 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ (296,804)
Other Governmental Funds	<u>1,893,581</u>	<u>(1,596,777)</u>
Total All Funds	<u>\$ 1,893,581</u>	<u>\$ (1,893,581)</u>

Transfers out of other governmental funds consist of income tax receipts posted to the permanent improvement fund which are then allocated to the debt service fund for repayment of outstanding debt issued to finance construction of school facilities.

Advances

The following is a summary of the School District's advances in and out for all funds for fiscal year 2011:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 37,246	\$ (44,700)
Other Governmental Funds	<u>44,700</u>	<u>(37,246)</u>
Total All Funds	<u>\$ 81,946</u>	<u>\$ (81,946)</u>

Advances are used to temporarily provide operating resources to funds with the expectation the resources will be repaid once monies are available in the funds receiving the advance.

NOTE 15 - COMMITMENTS

Construction Commitments

As of June 30, 2011 the School 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)	\$ 18,665,538	February 2012

Milton-Union Exempted Village School District
 Miami County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2011

NOTE 15 – COMMITMENTS (continued)

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 108,889
Permanent Improvement Fund	17,440,039
Non-major Governmental Funds	1,522,749
	\$ 19,071,677

NOTE 16 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. Amounts not spent by year-end or reduced by offsetting credits must be held in cash at year-end and carried forward to be used for the same purpose in future years.

	Textbooks	Capital Spending	Total
Set-aside Reserve Balance as of June 30, 2010	\$ 38,814	\$ -	\$ 38,814
Current Year Set-aside Requirement	242,001	242,001	484,002
Current Year Offset Credits	-	(281,033)	(281,033)
Qualifying Disbursements	(182,987)	(39,902)	(222,889)
Total	\$ 97,828	\$ (78,934)	\$ 18,894
Balance Carried forward to FY 2012	\$ 97,828	\$ -	

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside 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
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA 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	\$ 74,192	\$ 74,192
Cash Assistance:			
National School Breakfast Program	10.553	35,963	35,963
National School Lunch Program	10.555	260,716	260,716
Total Nutrition Cluster		<u>370,871</u>	<u>370,871</u>
Total US Department of Agriculture		<u>370,871</u>	<u>370,871</u>
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	161,279	162,677
ARRA - Title I Grants to Local Education Agencies	84.389	57,216	62,082
Total Title I, Part A Cluster		<u>218,495</u>	<u>224,759</u>
Special Education Cluster:			
Special Education Grants to States	84.027	298,362	298,362
ARRA - Special Education Grants to States	84.391	170,660	170,402
<i>Passed through Miami County ESC:</i>			
Special Education Preschool Grant	84.173	3,363	3,363
ARRA - Special Education Preschool Grant	84.392	5,405	5,405
Total Special Education Cluster		<u>477,790</u>	<u>477,532</u>
<i>Passed through Ohio Department of Education:</i>			
Education Technology State Grants	84.318	1,317	752
Improving Teacher Quality State Grants	84.367	69,602	73,223
ARRA - State Fiscal Stabilization	84.394	480,914	446,373
ARRA - Race-to-the-Top Incentive Grants	84.395	17,570	15,051
Education Jobs Fund	84.410	35,951	-
<i>Passed through Ohio Schools Facilities Commission:</i>			
State Improvement Grant	84.323	-	7,062
Total U.S. Department of Education		<u>1,301,639</u>	<u>1,244,752</u>
U.S. Department of Health and Human Services			
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program	93.778	2,471	2,471
Total U.S. Department of Health and Human Services		<u>2,471</u>	<u>2,471</u>
Total Federal Assistance		<u>\$ 1,674,981</u>	<u>\$ 1,618,094</u>

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

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, 2011 the District had no significant food commodities in inventory.

3. Matching Requirements:

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

**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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2011, in which it was noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America. 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

Management of the District is responsible for establishing and maintaining effective 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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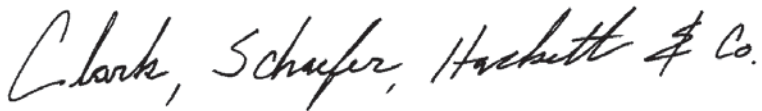
Compliance and Other Matters

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 an instance of noncompliance that we are required to report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2011-001.

We also noted certain matters that we reported to management of the District, in a separate letter dated November 30, 2011.

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.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio
November 30, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-002, 2011-003 and 2011-004.

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Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

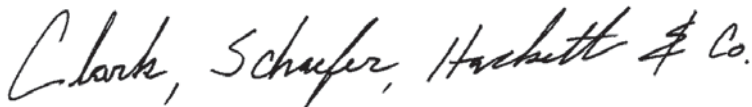
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-002, 2011-003, and 2011-004. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated November 30, 2011.

This report is intended solely for the information and use of management, the finance committee, the Board of Education, the Auditor of State of Ohio, 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
November 30, 2011

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)?	None noted
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes

Type of auditors’ report issued on compliance for major programs:	Unqualified
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Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
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Identification of major programs:

Title I, Part A Cluster:

- CFDA 84.010 – Title I Grants to Local Agencies
- CFDA 84.389 – ARRA – Title I Grants to Local Agencies

Special Education Cluster:

- CFDA 84.027 – Special Education Grants to States
- CFDA 84.391 – ARRA – Special Education Grants to States
- CFDA 84.173 – Special Education Preschool Grant
- CFDA 84.392 – ARRA – Special Education Preschool Grant

CFDA 84.394 – ARRA – State Fiscal Stabilization

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

2011-001: Reporting Annual Financial Statements

Condition: The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the District further consider reporting its annual financial report in accordance with GAAP.

Management Response: The District is aware of the financial reporting requirements and the District's management believes that filing GAAP would cost an additional \$10,000 per year with no appreciable benefit to the District.

Section III – Federal Awards Findings and Questioned Costs

2011-002: Noncompliance – State Fiscal Stabilization – ARRA – CFDA No. 84.394

Condition: During the audit, the District did not comply with reporting to ODE one of the vendors that received a single payment greater than \$25,000 on the 1512 ARRA Subrecipient Vendor report. In addition, the District only reported the activity during each quarterly reporting period and did not report on a cumulative basis as required.

Criteria: American Recovery and Reinvestment Act of 2009 (ARRA), section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal Government to submit to the Federal Agency no later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. The Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states that Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. The District did not receive direct ARRA funding. However, the ODE's reporting guidance indicates that ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the 1512 reporting requirements associated with ARRA funding. Thus, the 1512 reporting requirements filter down to the District and the District is required to report certain information to ODE. Among the items to be reported, the vendor name and zip code are required for each vendor paid to date that received a single payment, from a single ARRA grant, in excess of \$25,000. The vendor reporting requirements in the Quarterly ARRA 1512 reporting is commutative in scope.

Effect: Failure to properly report in accordance with program requirements could result in loss of funding or other actions by the funder.

Cause: The District did not implement procedures to ensure that all vendors, paid to date, receiving single payments of \$25,000 were reported on the ODE 1512 ARRA Subrecipient Vendor report on a quarterly basis.

Recommendation: We recommend the District implement procedures to ensure that all vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient Vendor report to comply with federal regulations.

Management Response: The District is aware of the noncompliance on the vendor payment greater than \$25,000. The District will double check quarterly expenditure reports to avoid missing this reporting requirement. The District was unaware of the accumulative reporting and will comply starting in fiscal year 2012.

**2011-003: Noncompliance – Special Education Cluster –
CFDA No. 84.027, 84.391, 84.173 & 84.392
And Title I, Part A Cluster– CFDA No. 84.010 & 84.389**

Condition: The District did not comply with the period of availability requirements under the Special Education and Title I expenditures for the fiscal year 2011 grants.

Criteria: 2 CFR 215.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency and according to Common Rule A-102, the entity shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Funds under the regular FY2011 appropriation for Special Education and Title I grants became available for obligation on July 1, 2010.

Effect: Failure to properly report grant expenditures in the period of availability, in accordance with program requirements, could result in the loss of funding or other repercussions by the Ohio Department of Education, including the repayment of questioned costs.

Cause: The District charged payroll related expenditures representing nine personnel salaries for costs that were obligated prior to the July 1, 2010 period of availability in the Special Education Grants and Title I Grants. The total amount of the expenditures deemed to be unallowable that was outside the grant's period of availability totaled \$9,518 in the Special Education Grant and \$4,730 in the Title I Grant.

Recommendation: We recommend the District use grant funds only for expenditures obligated during the period of availability and implement procedures to ensure that personnel reviewing the expenditures for compliance, before checks are written and posted, are aware of the grant period of availability requirements outlined in the grant application approved by the Ohio Department of Education.

Management Response: The District is aware of the program spending rules and the noncompliance. The District will now print a pay account report prior to each payroll run and will be approved by the Treasurer.

2011-004: Noncompliance – State Fiscal Stabilization – ARRA – CFDA No. 84.394

Condition: The District did not accurately report certain student information data to ODE through the SDC Reports which are utilized to calculate compliance with Maintenance of Effort requirements.

Criteria: Section 9521 of ESEA (20 USC 7901) and 34 CFR section 299.5 require the Ohio Department of Education to reduce the amount of the allocation of funds under an applicable program if the District fails to maintain fiscal effort in any fiscal year by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures. To comply with this Maintenance of Effort requirement, the District must submit accurate student data to ODE.

Effect: Failure to properly report student enrollment data, in accordance with program requirements, could result in the loss of funding or other repercussions by the Ohio Department of Education.

Cause: The District included students who attend the Career Technology Center in their data that was already counted in the SDC Reports. As a result, the student counts reported to ODE were overstated roughly 100 students and may cause the District to fall below the Maintenance of Effort requirements. Although the SDC Reports were overstated for student counts, the Annual ADM counts were coded properly to reflect the exclusion of Career Technology Center students.

Recommendation: We recommend the District use the guidance outlined by ODE in the Education management Information System (EMIS) Manual to account and track for those students who attend other institutions outside the District.

Management Response: The District is aware of the noncompliance noted and has implemented procedures to ensure students are counted correctly in coordination with the MVCTC.

Finding 2010-001: Audit Adjustments

The audit result found it necessary to adjust the financial statements of the School District for unrecorded tax receivable amounts which were not included during the GAAP conversion process. Other insignificant adjustments were also posted to the financial statements as a result of audit procedures.

Status: Not applicable – The District elected not to report on the GAAP basis of accounting.

Finding 2010-002: Noncompliance – Special Education Grants to States – ARRA

The audit found the District did not comply with reporting to ODE the one and only one vendor that received a single payment greater than \$25,000 on the 1512 ARRA Subrecipient Vendor Report.

Status: Uncorrected – See current audit finding 2011-002.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

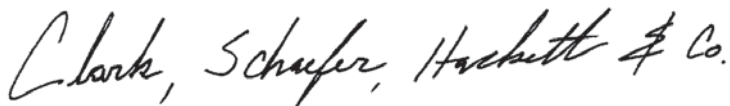
Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying and which is supplemented by the District's Administrative Guidelines Section 5517.01.

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
November 30, 2011

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Dave Yost • 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 17, 2012**