



Dave Yost • Auditor of State

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Millcreek-West Unity Local School District
Williams County
1401 West Jackson Street
West Unity, Ohio 43570

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millcreek-West Unity Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millcreek-West Unity Local School District, Williams County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 22, 2014

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of the Millcreek-West Unity Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

In total, net position increased \$157,032.

General revenues accounted for \$6,373,819, or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$1,218,383, or 16 percent of total revenues of \$7,592,202.

The District's major funds included the General Fund and the Bond Retirement Fund.

The General Fund had \$6,226,193 in receipts and other financing sources and \$5,982,943 in disbursements. The General Fund's balance increased \$243,250 from the prior fiscal year.

The Bond Retirement Fund had \$635,130 in receipts and \$559,515 in disbursements. The Bond Retirement Fund's balance increased \$75,615 from the prior fiscal year.

The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

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 District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is the most significant fund. The General Fund and the Bond Retirement Fund are the District's major funds.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities, both reported on the modified cash basis, reflects how the District did financially during fiscal year 2014. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes all of the District's programs and services, are reported here including instruction, support services, non-instructional services and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund and the Bond Retirement Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the 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. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013. The increase in cash was attributed to fewer permanent improvements and building expenditures.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 1
Net Position – Cash Basis
Governmental Activities**

	2014	2013
<u>Assets:</u>		
Current and Other Assets	<u>\$3,800,805</u>	<u>\$3,643,773</u>
<u>Net Position:</u>		
Restricted	1,927,643	2,013,861
Unrestricted	<u>1,873,162</u>	<u>1,629,912</u>
Total	<u>\$3,800,805</u>	<u>\$3,643,773</u>

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

Table 2

**Change in Net Position – Cash Basis
Governmental Activities**

	2014	2013
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$691,091	\$727,980
Operating Grants, Contributions and Interest	527,292	511,617
Total Program Revenues	<u>1,218,383</u>	<u>1,239,597</u>
General Revenues:		
Property Taxes	2,089,721	2,057,682
Income Taxes	732,110	649,725
Grants and Entitlements	3,470,715	3,291,581
Gifts and Donations	6,020	7,128
Investment Earnings	8,884	8,829
Miscellaneous	53,232	101,686
Proceeds from Sale of Capital Assets		500
Refund of Prior Year Expenditures	13,137	29,493
Total General Revenues	<u>6,373,819</u>	<u>6,146,624</u>
Total Revenues	<u>7,592,202</u>	<u>7,386,221</u>

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

<u>Expenses:</u>		
Instruction	3,902,543	3,756,265
Support Services:		
Pupils	257,851	232,829
Instructional Staff	64,407	165,102
Board of Education	31,275	32,762
Administration	625,382	636,897
Fiscal	175,281	175,500
Operation and Maintenance of Plant	623,254	591,277
Pupil Transportation	387,135	374,652
Central	132,178	147,586
Non-Instructional	252,166	261,793
Extracurricular Activities	302,374	293,018
Capital Outlay	132,893	314,802
Debt Service:		
Principal	260,000	250,000
Interest and Fiscal Charges	288,431	298,631
Total Expenses	<u>7,435,170</u>	<u>7,531,114</u>
Change in Net Position	<u>\$157,032</u>	<u>(\$144,893)</u>

Program receipts account for 16 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 52 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 10 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 8 percent. The remaining 30 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Overall revenues increased \$205,981 (2.8 percent) primarily due to increases in property taxes, income taxes, and state foundation funding. Overall expenditures decreased \$95,944 (1.3 percent) primarily due the decrease in capital outlay disbursements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2014	2014	2013	2013
Instruction	\$3,902,543	\$3,106,111	\$3,756,265	\$2,951,089
Support Services:				
Pupils	257,851	257,851	232,829	232,829
Instructional Staff	64,407	58,584	165,102	108,232
Board of Education	31,275	31,275	32,762	32,762
Administration	625,382	625,382	636,897	636,897
Fiscal	175,281	175,281	175,500	175,500
Operation and Maintenance of Plant	623,254	607,715	591,277	575,738
Pupil Transportation	387,135	387,135	374,652	374,652
Central	132,178	128,578	147,586	143,986
Non-Instructional	252,166	(3,022)	261,793	19,545
Extracurricular Activities	302,374	160,573	293,018	176,854
Capital Outlay	132,893	132,893	314,802	314,802
Debt Service:				
Principal	260,000	260,000	250,000	250,000
Interest and Fiscal Charges	288,431	288,431	298,631	298,631
Total Expenses	<u>\$7,435,170</u>	<u>\$6,216,787</u>	<u>\$7,531,114</u>	<u>\$6,291,517</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 79 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds were the General Fund and the Bond Retirement Fund. Total governmental funds had receipts and other financing sources of \$7,592,202 and disbursements of \$7,435,170. The net positive change of \$157,032 in fund balance for the year was primarily attributed to overall increases in revenues (property taxes, income taxes, and state foundation funding) and an overall decrease in capital disbursements.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the District amended its General Fund budget as needed.

Actual revenues and other financing sources exceeded final estimated revenues and other financing sources by \$435,248 (7.5%). Variance was a result of greater than expected receipts for property taxes, income taxes, and state foundation funding. Final estimated revenues and other financing sources were the same as original estimated revenues and other financing sources.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Final expenditures and other financing uses were budgeted at \$6,444,620 (less than 1 percent less than the original budget) while actual expenditures and other financing uses were \$6,036,548 which was approximately 6 percent less than anticipated. The \$408,072 difference is primarily due to a conservative “worst case scenario” approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

At June 30, 2014, the District had \$7,542,440 (See Note 6) in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2035. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2014, the District exceeded its overall legal debt margin by \$1,753,988.

For further information regarding the District’s debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. West Unity is a small rural community of 1,790 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District derives its funds approximately 44 percent from local sources, 53 percent is from the State, and the remaining 3 percent is from Federal sources. The total expenditure per pupil was calculated at approximately \$9,589.

In May 2006, the District’s voters approved a 10.4 mill Bond Issue Levy for 28 years and an additional .5 mill Maintenance Levy for 23 years to pay the Local share of a new school with the Ohio School Classroom Facilities Program. In May of 2013, the District passed an Emergency Tax Levy Renewal of \$300,000 per year for 5 years. The District passed a Safety Levy in May 2014 to cover the cost of a School Resource Officer. This service is contracted through the Village of West Unity Police Department.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District’s finances and to reflect the District’s accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Traci Thompson, Treasurer, Millcreek-West Unity Local School District, 1401 West Jackson Street, West Unity, Ohio 43570-9465.

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>3,800,805</u></u>
Net Position:	
Restricted for Debt Service	810,310
Restricted for Capital Outlay	751,538
Restricted for Other Purposes	365,795
Unrestricted	<u>1,873,162</u>
<i>Total Net Position</i>	\$ <u><u>3,800,805</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 2,672,987	\$ 442,251	\$ 106,063	\$ (2,124,673)
Special	663,979		185,159	(478,820)
Vocational	78,549		62,959	(15,590)
Student Intervention Services	2,734			(2,734)
Other	484,294			(484,294)
Support Services:				
Pupils	257,851			(257,851)
Instructional Staff	64,407		5,823	(58,584)
Board of Education	31,275			(31,275)
Administration	625,382			(625,382)
Fiscal	175,281			(175,281)
Operation and Maintenance of Plant	623,254		15,539	(607,715)
Pupil Transportation	387,135			(387,135)
Central	132,178		3,600	(128,578)
Operation of Non-Instructional Services	252,166	107,039	148,149	3,022
Extracurricular Activities	302,374	141,801		(160,573)
Capital Outlay	132,893			(132,893)
Debt Service:				
Principal	260,000			(260,000)
Interest and Fiscal Charges	288,431			(288,431)
Totals	\$ 7,435,170	\$ 691,091	\$ 527,292	\$ (6,216,787)
General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,512,079
Property Taxes, Levied for Debt Service				553,016
Property Taxes, Levied for Facilities Maintenance				24,626
Income Taxes				732,110
Grants and Entitlements not Restricted to Specific Programs				3,470,715
Gifts and Donations				6,020
Investment Earnings				8,884
Miscellaneous				53,232
Refund of Prior Year Expenditures				13,137
<i>Total General Receipts</i>				6,373,819
<i>Change in Net Position</i>				157,032
Net Position Beginning of Year				3,643,773
<i>Net Position End of Year</i>				\$ 3,800,805

See Accompanying Notes to the Basic Financial Statements

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,873,162</u>	\$ <u>810,310</u>	\$ <u>1,117,333</u>	\$ <u>3,800,805</u>
Fund Balances:				
Restricted		\$ 810,310	\$ 1,117,333	\$ 1,927,643
Assigned	\$ 79,459			79,459
Unassigned	<u>1,793,703</u>			<u>1,793,703</u>
<i>Total Fund Balances</i>	<u>\$ 1,873,162</u>	<u>\$ 810,310</u>	<u>\$ 1,117,333</u>	<u>\$ 3,800,805</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CASH BASIS RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$ 1,512,079	\$ 553,016	\$ 24,626	\$ 2,089,721
Income Tax	732,110			732,110
Intergovernmental	3,448,777	81,411	467,819	3,998,007
Interest	3,308	703	4,873	8,884
Tuition and Fees	442,251			442,251
Extracurricular Activities	22,212		118,379	140,591
Gifts and Donations			6,020	6,020
Customer Sales and Services			108,249	108,249
Miscellaneous	52,572		660	53,232
<i>Total Receipts</i>	<u>6,213,309</u>	<u>635,130</u>	<u>730,626</u>	<u>7,579,065</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,564,623		108,364	2,672,987
Special	481,038		182,941	663,979
Vocational	78,549			78,549
Student Intervention Services	2,734			2,734
Other	484,294			484,294
Support Services:				
Pupils	257,851			257,851
Instructional Staff	63,007		1,400	64,407
Board of Education	31,275			31,275
Administration	609,875	11,084	4,423	625,382
Fiscal	174,786		495	175,281
Operation and Maintenance of Plant	594,055		29,199	623,254
Pupil Transportation	342,495		44,640	387,135
Central	124,978		7,200	132,178
Operation of Non-Instructional Services			252,166	252,166
Extracurricular Activities	173,383		128,991	302,374
Capital Outlay			132,893	132,893
Debt Service:				
Principal		260,000		260,000
Interest		288,431		288,431
<i>Total Disbursements</i>	<u>5,982,943</u>	<u>559,515</u>	<u>892,712</u>	<u>7,435,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>230,366</u>	<u>75,615</u>	<u>(162,086)</u>	<u>143,895</u>
Other Financing Sources:				
Refund of Prior Year Expenditures	12,884		253	13,137
<i>Net Change in Fund Balances</i>	243,250	75,615	(161,833)	157,032
Fund Balances at Beginning of Year	1,629,912	734,695	1,279,166	3,643,773
<i>Fund Balance at End of Year</i>	<u>\$ 1,873,162</u>	<u>\$ 810,310</u>	<u>\$ 1,117,333</u>	<u>\$ 3,800,805</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,453,000	\$ 1,453,000	\$ 1,512,079	\$ 59,079
Income Tax	650,000	650,000	732,110	82,110
Intergovernmental	3,163,289	3,163,289	3,448,777	285,488
Interest	5,000	5,000	3,308	(1,692)
Tuition and Fees	435,000	435,000	442,251	7,251
Rent	100	100		(100)
Gifts and Donations	500	500		(500)
Miscellaneous	46,844	46,844	52,572	5,728
<i>Total Receipts</i>	<u>5,753,733</u>	<u>5,753,733</u>	<u>6,191,097</u>	<u>437,364</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,680,593	2,732,195	2,565,302	166,893
Special	493,643	478,212	482,404	(4,192)
Vocational	83,183	83,183	78,549	4,634
Student Intervention Services	5,000	5,000	2,734	2,266
Other	484,600	484,600	485,660	(1,060)
Support Services:				
Pupils	265,695	274,939	257,861	17,078
Instructional Staff	85,854	85,954	63,007	22,947
Board of Education	37,030	37,030	32,153	4,877
Administration	641,746	641,746	592,319	49,427
Fiscal	188,072	192,072	174,798	17,274
Operation and Maintenance of Plant	698,232	699,832	649,938	49,894
Pupil Transportation	376,825	380,825	353,462	27,363
Central	152,234	152,234	124,978	27,256
Extracurricular Activities	196,798	196,798	173,383	23,415
<i>Total Disbursements</i>	<u>6,389,505</u>	<u>6,444,620</u>	<u>6,036,548</u>	<u>408,072</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(635,772)</u>	<u>(690,887)</u>	<u>154,549</u>	<u>845,436</u>
Other Financing Sources:				
Refund of Prior Year Expenditures	15,000	15,000	12,884	(2,116)
<i>Net Change in Fund Balance</i>	<u>(620,772)</u>	<u>(675,887)</u>	<u>167,433</u>	<u>843,320</u>
Fund Balance at Beginning of Year	1,590,624	1,590,624	1,590,624	
Prior Year Encumbrances Appropriated	35,646	35,646	35,646	
<i>Fund Balance at End of Year</i>	<u>\$ 1,005,498</u>	<u>\$ 950,383</u>	<u>\$ 1,793,703</u>	<u>\$ 843,320</u>

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>19,597</u>	\$ <u>30,429</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>30,429</u>
Net Position:		
Held in Trust for Scholarships	\$ <u>19,597</u>	

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		<u>Private Purpose Trust</u>
Additions:		
Gifts and Contributions	\$	5,680
Interest		55
<i>Total Additions</i>		<u>5,735</u>
 Deductions:		
Payments in Accordance with Trust Agreements		<u>9,190</u>
 <i>Change in Net Position</i>		 (3,455)
Net Position Beginning of Year		<u>23,052</u>
<i>Net Position End of Year</i>	\$	<u><u>19,597</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Millcreek-West Unity Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's instructional/support facility staffed by 24 non-certified and 43 certified personnel who provide services to 621 students and other community members.

A. Primary Government

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

B. Component Units

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

C. Jointly Governed Organizations and Purchasing Pools

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

The District's management believes these financial statements present all activities for which the District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

1. Governmental Funds:

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

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

The other governmental funds of the District account for grants and other resources whose uses are restricted to a particular purpose.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency funds account for various student managed activities.

C. Basis of Accounting

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within established timetable. 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 demonstrates a need for existing or increased tax rates. 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 level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund and object level for the General fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, investments were limited to negotiable and nonnegotiable certificates of deposit, open end mutual funds, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are valued at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments with 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, 2014.

As authorized by Ohio statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$3,308 which included \$479 assigned from other District Funds.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. 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 District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-term Obligations

The District's 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 payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

L. 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 use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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 classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned 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 Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes 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 District first applies restricted resources when an expenditure is 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 can be used.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and Governmental Accounting Standard Board (GASB) Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50, *Pension Disclosures* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

These changes were incorporated in the District's 2014 financial statements; however, there was no effect on beginning net position/fund balance.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General Fund:

Net Change in Fund Balance	General Fund
Cash Basis	\$243,250
Outstanding Encumbrances	(71,834)
Perspective Difference:	
Activity of Fund Reclassified for Cash Reporting Purposes	(3,983)
Budgetary Basis	\$167,433

5. DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies held by the District can 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit 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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances 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. Investments may only be made through specified dealers and institutions. An investment must mature within five years from the date of purchase unless matched to a specific obligation of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>6 Months or Less</u>	<u>7 to 12 Months</u>
Negotiable Certificates of Deposit	\$847,889	\$399,091	\$448,798
Money Market Mutual Fund	39,062	39,062	
STAR Ohio	508,261	508,261	
Total Investments	<u>\$1,395,212</u>	<u>\$946,414</u>	<u>\$448,798</u>

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk - The Money Market Mutual Fund carries a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered and held by a counterparty (Ross, Sinclair & Associates, LLC) but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in Negotiable Certificates of Deposit represent 61 percent of the District's total investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2014 were as follows:

	Balance at 06/30/13	Increase	Decrease	Balance at 06/30/14	Amounts Due In One Year
2006 School Improvement Bonds					
Current Interest Bonds (Serial) Rate 4.00%	\$2,035,000		\$260,000	\$1,775,000	
Current Interest Bonds (Term) Rate 4.125%	5,145,000			5,145,000	
Capital Appreciation Bonds Rate 18.7588406%	520,267	\$102,173		622,440	\$246,847
Total Debt Obligation	<u>\$7,700,267</u>	<u>\$102,173</u>	<u>\$260,000</u>	<u>\$7,542,440</u>	<u>\$246,847</u>

Total expenditures for interest for the above debt for the period ended June 30, 2014 was \$288,431.

School Improvement Bonds 2006

On November 30, 2006, the district issued \$8,708,172 in voted general obligation bonds for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with the land acquisition and other improvements to school facilities, equipment, site improvements, and all necessary appurtenances thereto. The bonds will be retired from the Bond Retirement Fund from a voted tax levy.

The Bonds are issuable as Bonds which pay interest semiannually (the "Current Interest Bonds") and as Bonds which do not pay interest currently but accrete in value in lieu thereof until their maturity date (the "Capital Appreciation Bonds"). The Bonds will be dated, mature, and bear interest or, in the case of the Capital Appreciation Bonds, accrete in value, all as more particularly described herein.

The Current Interest Bonds

The Current Interest Bonds are issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Annual principal, and any premium, on all Current Interest Bonds are payable upon presentation and surrender by the registered owner thereof at the principal office of the Registrar. Semiannual interest on the Current Interest Bonds is payable each June 1 and December 1, commencing December 1, 2007, by check or draft to be mailed by the Paying Agent and Registrar to the registered owner as shown in the registration records maintained by the Paying Agent and Registrar as bond registrar on the 15th day of the month preceding such interest payment date.

The Current Interest Bonds are dated December 13, 2006 if authenticated prior to the first interest payment date of the Current Interest Bonds and otherwise will be dated as of the interest payment date next preceding the date the Current Interest Bonds are authenticated except that if the Current Interest Bonds are authenticated on an interest payment date they will be dated as of such date of authentication; provided that if at the time of authentication, interest thereon is in default, they will be dated as of the date to which interest has been paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. LONG TERM OBLIGATIONS (Continued)

Redemption of Current Interest Bonds

Mandatory Sinking Fund Redemption

The Bonds due December 1, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2023	\$340,000
2024	355,000
2025	370,000
2026	380,000
2027	400,000

Unless otherwise called for redemption, the remaining \$415,000 principal amount of the Bonds due December 1, 2028 is to be paid at stated maturity.

The Bonds due December 1, 2034 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2029	\$435,000
2030	450,000
2031	470,000
2032	490,000
2033	510,000

Unless otherwise called for redemption, the remaining \$530,000 principal amount of the Bonds due December 1, 2024 is to be paid at stated maturity.

Optional Redemption

The Current Interest 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 Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2016 at par, which is 100% of the face value of the Current Interest Bonds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. LONG TERM OBLIGATIONS (Continued)

The Capital Appreciation Bonds

The Capital Appreciation Bonds will be dated their date of issuance. The Capital Appreciation Bonds do not bear current interest, but will accrete in value from their date of issuance. The accreted value so accrued and compounded shall be the Compound Accreted Amount. Payment of the Compound Accreted Amount shall be made upon presentation and surrender thereof at the principal office of the Paying Agent and Registrar. The Compound Accreted Amount of the Capital Appreciation Bonds as of each Compound Date is set forth in the Accretion Table provided below.

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
December, 1, 2014	\$64,711	\$270,000
December 1, 2015	54,089	270,000
December 1, 2016	44,372	265,000

The Capital Appreciation Bonds are not subject to redemption prior to scheduled maturity.

The annual requirements to service the principal and interest of the capital appreciation bonds to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$246,847	\$306,384	\$553,231
2016	206,328	346,904	553,232
2017	169,265	378,966	548,231
2018	265,000	277,931	542,931
2019	280,000	267,032	547,032
2020 – 2024	1,570,000	1,154,744	2,724,744
2025 – 2029	1,920,000	799,219	2,719,219
2030 – 2034	2,355,000	360,009	2,715,009
2035	530,000	10,931	540,931
Total	<u>\$7,542,440</u>	<u>\$3,902,120</u>	<u>\$11,444,560</u>

The District exceeded its overall debt margin by \$1,753,988. It's unvoted debt margin of \$64,316 at June 30, 2014. Ohio Revised Code 133.06 (1) allows a district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all property, public utility property, and tangible personal (used in business) property located in the area served by the District. Real property tax revenues received in calendar year 2014 represent the collection calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2014 taxes are based are as follows:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$53,022,680	83%	\$53,289,280	83%
Industrial/Commercial	8,591,470	14%	8,492,260	13%
Public Utility	2,270,460	3%	2,534,590	4%
Total Assessed Value	<u>\$63,884,610</u>	<u>100%</u>	<u>\$64,316,130</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$60.20		\$60.20	

8. INCOME TAX

In 2004, the voters of the District passed a one percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2014, the District recorded income tax revenue of \$732,110 in the General Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. RISK MANAGEMENT

A. Comprehensive

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

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (the Plan), a public entity insurance purchasing pool (Note 15). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on types and limits of coverage and deductibles that it selected by the participant.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of the Optimal Health Initiative (OHI) Consortium, a self insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of Optimal Health Initiative (OHI) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on the 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 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 amount 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, 2014, the allocation to pension and death benefits is 13.1 percent. The remaining .90 percent to the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$117,693, \$111,131, and \$119,460, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED BENEFIT PENSION PLAN (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$344,530, \$369,196 and \$349,349, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, all five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for the years ended June 30, 2014, 2013, and 2012 were \$6,828, \$6,278 and \$7,055, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$21,008, \$12,552, and \$14,795 respectively; 46 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B Plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,502, \$28,400, and \$26,873, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

12. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. The Superintendent, Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. All employees are entitled to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 38 days. For employees with 10-19 years of service, the maximum is 50 days; for employees with 20 or more years of service, the maximum is 60 days.

13. STATUTORY RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Acquisition
Current Year Set-aside Requirement	\$108,912
Qualifying Disbursements	(112,901)
Current Year Offsets	(43,651)
Total	(\$47,640)
Cash Balance Carried Forward to FY 2015	_____
Total Restricted Cash Assets	_____

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. The District paid \$150,038 for services rendered through NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

15. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, Northwest Division of the Optimal Health Initiative Consortium (OHI), a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$748,806 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. GROUP PURCHASING POOLS (Continued)

B. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiative Consortium (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The OHI has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During the fiscal year, the District paid an enrollment fee of \$654 to WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The District belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administration services to approximately 300 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverages, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2013 and 2012 :

	2013	2012
Assets	\$6,841,599	\$5,351,369
Liabilities	4,052,930	2,734,952
Members' Equity	2,788,669	2,616,417

You can read the complete audited financial statements for the Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. CONTINGENCIES

A. Grants

The 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 District at June 30, 2014.

B. Litigation

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

17. CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2012, the District acquired two buses by lease agreement. The District made payments in the amount of \$44,640 from the Support Services – Pupil Transportation function code in the Permanent Improvement fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

General Long-Term Obligations	
Fiscal Year Ending June 30,	Equipment
2015	\$44,641
2016	44,640
Total Future Minimum Lease Payments	89,281
Less: Amount Representing Interest	(3,942)
Present Value of Future Minimum Lease Payments	\$85,339

18. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Special Instruction			\$7,657	\$7,657
Athletics			44,180	44,180
Food Service Operations			35,042	35,042
Facilities Maintenance			278,916	278,916
Debt Retirement		\$810,310		810,310
Building Construction			751,538	751,538
Total Restricted		<u>810,310</u>	<u>1,117,333</u>	<u>1,927,643</u>
Assigned for:				
Educational Activities	\$7,625			\$7,625
Unpaid Obligations (encumbrances)	71,834			71,834
Total Assigned	<u>79,459</u>			<u>79,459</u>
Unassigned	1,793,703			1,793,703
Total Fund Balance	<u>\$1,873,162</u>	<u>\$810,310</u>	<u>\$1,117,333</u>	<u>\$3,800,805</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Millcreek-West Unity Local School District
Williams County
1401 West Jackson Street
West Unity, Ohio 43570

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millcreek-West Unity Local School District, Williams County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 22, 2014

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2014

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

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B) which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

For fiscal year 2014, the District prepared its financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement no. 34. This presentation differs from accounting principles accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2014-001 in this report.



Dave Yost • Auditor of State

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2014**