

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Milton-Union Exempted Village School District, Miami County, (the District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Milton-Union Exempted Village School District, Miami County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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



JIM PETRO
Auditor of State

December 28, 1999

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

MIAMI COUNTY, OHIO

GENERAL PURPOSE
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 1999

Prepared by:
Mr. Charles M. Klein
District Treasurer

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
<i>Assets:</i>				
Cash and Cash Equivalents	\$795,373	\$206,696	\$24,253	\$512,997
Investments	1,979,439	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	3,692,218	0	0	359,967
Accounts	734	2,064	0	400
Intergovernmental	13,481	760	0	0
Interfund Loan Receivable	499,175	0	0	0
Inventory of Supplies at Cost	17,931	0	0	0
Prepaid Items	10,277	4,421	0	0
Restricted Assets:				
Cash and Cash Equivalents	108,584	0	0	0
Cash with Fiscal Agent	0	7,580	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$7,117,212	\$221,521	\$24,253	\$873,364
Liabilities, Equity and Other Credits:				
<i>Liabilities:</i>				
Accounts Payable	\$74,716	\$4,336	\$0	\$133,039
Accrued Wages and Benefits	844,047	27,298	0	0
Interfund Loan Payable	0	16,274	0	470,901
Intergovernmental Payables	179,835	5,679	0	15
Due to Students	0	0	0	0
Due to Others	0	0	0	0
Deferred Revenue - Taxes	3,399,913	0	0	331,012
Deferred Revenue	0	0	0	0
Compensated Absences Payable	0	0	0	0
Installment Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	4,498,511	53,587	0	934,967
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	71,348	21,853	0	217,091
Reserved for Property Taxes	245,715	0	0	24,024
Statutory Reserves	108,584	0	0	0
Reserved for Inventory of Supplies	17,931	0	0	0
Reserved for Prepaid Items	10,277	4,421	0	0
Reserved for Debt Service	0	0	24,253	0
Unreserved:				
Undesignated	2,164,846	141,660	0	(302,718)
Total Equity and Other Credits	2,618,701	167,934	24,253	(61,603)
Total Liabilities, Equity and Other Credits	\$7,117,212	\$221,521	\$24,253	\$873,364

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		<i>Totals (Memorandum Only)</i>
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$40,884	\$61,239	\$0	\$0	\$1,641,442
0	17,223	0	0	1,996,662
0	0	0	0	4,052,185
313	0	0	0	3,511
13,825	0	0	0	28,066
0	0	0	0	499,175
7,456	0	0	0	25,387
134	0	0	0	14,832
0	0	0	0	108,584
0	0	0	0	7,580
44,440	0	5,326,963	0	5,371,403
0	0	217,851	0	217,851
0	0	0	24,253	24,253
0	0	0	1,340,562	1,340,562
\$107,052	\$78,462	\$5,544,814	\$1,364,815	\$15,331,493
\$4,813	\$1,362	\$0	\$0	\$218,266
23,255	0	0	0	894,600
12,000	0	0	0	499,175
34,406	0	0	78,886	298,821
0	22,988	0	0	22,988
0	2,016	0	0	2,016
0	0	0	0	3,730,925
2,056	0	0	0	2,056
18,787	0	0	874,146	892,933
0	0	0	66,783	66,783
0	0	0	345,000	345,000
95,317	26,366	0	1,364,815	6,973,563
0	0	5,544,814	0	5,544,814
11,735	0	0	0	11,735
0	0	0	0	310,292
0	0	0	0	269,739
0	0	0	0	108,584
0	0	0	0	17,931
0	0	0	0	14,698
0	0	0	0	24,253
0	52,096	0	0	2,055,884
11,735	52,096	5,544,814	0	8,357,930
\$107,052	\$78,462	\$5,544,814	\$1,364,815	\$15,331,493

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$3,693,500	\$0	\$0	\$360,756	\$0	\$4,054,256
Tuition	12,127	0	0	0	0	12,127
Transportation Fees	79,258	0	0	0	0	79,258
Investment Earnings	188,593	0	0	0	1,034	189,627
Extracurricular Activities	0	151,222	0	0	0	151,222
Class Materials and Fees	3,816	0	0	0	0	3,816
<i>Intergovernmental - State</i>	5,469,430	94,387	0	531,025	0	6,094,842
<i>Intergovernmental - Federal</i>	0	321,271	0	0	0	321,271
All Other Revenues	5,266	3,275	0	450	12,000	20,991
Total Revenues	9,451,990	570,155	0	892,231	13,034	10,927,410
Expenditures:						
Current:						
Instruction	5,836,278	223,028	0	3,620	0	6,062,926
Supporting Services:						
Pupils	517,210	15,148	0	0	7,000	539,358
Instructional Staff	168,339	132,607	0	0	0	300,946
Board of Education	68,057	0	0	0	0	68,057
Administration	681,978	82,342	0	0	0	764,320
Fiscal Services	312,278	3,424	0	6,322	0	322,024
Business	100,762	0	0	0	0	100,762
Operation and Maintenance of Plant	614,132	0	0	314,983	219	929,334
Pupil Transportation	520,238	0	0	106,995	0	627,233
<i>Central</i>	183,334	0	0	219,059	0	402,393
Extracurricular Activities	160,632	154,375	0	0	0	315,007
Capital Outlay	0	0	0	535,229	0	535,229
Debt Service:						
Principal Retirements	0	0	90,891	0	0	90,891
Interest and Fiscal Charges	0	0	31,342	0	0	31,342
Total Expenditures	9,163,238	610,924	122,233	1,186,208	7,219	11,089,822
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	288,752	(40,769)	(122,233)	(293,977)	5,815	(162,412)
Other Financing Sources (Uses):						
Refunds of Prior Years' Expenses	2,375	879	0	152,000	0	155,254
Operating Transfers In	0	0	125,663	0	0	125,663
Operating Transfers Out	(125,663)	0	0	0	0	(125,663)
Total Other Financing Sources (Uses)	(123,288)	879	125,663	152,000	0	155,254
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	165,464	(39,890)	3,430	(141,977)	5,815	(7,158)
Fund Balance Beginning of Year	2,446,921	207,824	20,823	80,374	46,281	2,802,223
Increase in Inventory Reserve	6,316	0	0	0	0	6,316
Fund Balance (Deficit) End of Year	\$2,618,701	\$167,934	\$24,253	(\$61,603)	\$52,096	\$2,801,381

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$3,601,472	\$3,612,127	\$10,655	\$0	\$0	\$0
Tuition	5,000	12,127	7,127	0	0	0
Transportation Fees	58,224	65,716	7,492	0	0	0
Investment Earnings	189,000	206,338	17,338	0	0	0
Extracurricular Activities	0	0	0	162,652	148,398	(14,254)
Class Materials and Fees	2,256	3,752	1,496	0	0	0
Intergovernmental - State	5,238,773	5,469,430	230,657	83,352	83,359	7
Intergovernmental - Federal	0	0	0	412,545	321,271	(91,274)
All Other Revenues	8,500	5,257	(3,243)	3,275	3,275	0
Total Revenues	<u>9,103,225</u>	<u>9,374,747</u>	<u>271,522</u>	<u>661,824</u>	<u>556,303</u>	<u>(105,521)</u>
Expenditures:						
Current:						
Instruction	6,115,760	5,912,775	202,985	307,976	230,301	77,675
Supporting Services:						
Pupils	522,291	512,986	9,305	16,981	16,239	742
Instructional Staff	175,726	168,776	6,950	215,834	150,702	65,132
Board of Education	104,201	81,527	22,674	0	0	0
Administration	703,059	667,503	35,556	83,065	80,679	2,386
Fiscal Services	406,344	318,165	88,179	6,367	6,367	0
Business	114,088	99,893	14,195	0	0	0
Operation and Maintenance of Plant	704,485	642,611	61,874	0	0	0
Pupil Transportation	585,351	529,347	56,004	0	0	0
Central	196,612	189,506	7,106	1,069	0	1,069
Extracurricular Activities	205,070	161,404	43,666	191,723	172,332	19,391
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>9,832,987</u>	<u>9,284,493</u>	<u>548,494</u>	<u>823,015</u>	<u>656,620</u>	<u>166,395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(729,762)	90,254	820,016	(161,191)	(100,317)	60,874
Other Financing Sources (Uses):						
Refunds of Prior Years' Expenses	2,375	2,375	0	0	879	879
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(125,663)	(125,663)	0	0	0	0
Advances In	362,712	362,712	0	16,274	16,274	0
Advances Out	(529,175)	(529,175)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(289,751)</u>	<u>(289,751)</u>	<u>0</u>	<u>16,274</u>	<u>17,153</u>	<u>879</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,019,513)	(199,497)	820,016	(144,917)	(83,164)	61,753
Fund Balance at Beginning of Year	2,593,066	2,593,066	0	216,279	216,279	0
Prior Year Encumbrances	333,260	333,260	0	47,392	47,392	0
Fund Balance at End of Year	<u>\$1,906,813</u>	<u>\$2,726,829</u>	<u>\$820,016</u>	<u>\$118,754</u>	<u>\$180,507</u>	<u>\$61,753</u>

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$351,615	\$352,414	\$799	\$3,953,087	\$3,964,541	\$11,454
0	0	0	0	0	0	5,000	12,127	7,127
0	0	0	0	0	0	58,224	65,716	7,492
0	0	0	0	0	0	189,000	206,338	17,338
0	0	0	0	0	0	162,652	148,398	(14,254)
0	0	0	0	0	0	2,256	3,752	1,496
0	0	0	510,964	531,025	20,061	5,833,089	6,083,814	250,725
0	0	0	0	0	0	412,545	321,271	(91,274)
0	0	0	1,050	50	(1,000)	12,825	8,582	(4,243)
0	0	0	863,629	883,489	19,860	10,628,678	10,814,539	185,861
0	0	0	3,620	3,620	0	6,427,356	6,146,696	280,660
0	0	0	0	0	0	539,272	529,225	10,047
0	0	0	0	0	0	391,560	319,478	72,082
0	0	0	0	0	0	104,201	81,527	22,674
0	0	0	0	0	0	786,124	748,182	37,942
0	0	0	6,600	6,322	278	419,311	330,854	88,457
0	0	0	0	0	0	114,088	99,893	14,195
0	0	0	485,992	479,540	6,452	1,190,477	1,122,151	68,326
0	0	0	176,894	176,894	0	762,245	706,241	56,004
0	0	0	219,044	219,044	0	416,725	408,550	8,175
0	0	0	0	0	0	396,793	333,736	63,057
0	0	0	691,510	626,628	64,882	691,510	626,628	64,882
90,891	90,891	0	0	0	0	90,891	90,891	0
31,342	31,342	0	0	0	0	31,342	31,342	0
122,233	122,233	0	1,583,660	1,512,048	71,612	12,361,895	11,575,394	786,501
(122,233)	(122,233)	0	(720,031)	(628,559)	91,472	(1,733,217)	(760,855)	972,362
0	0	0	152,000	152,000	0	154,375	155,254	879
125,663	125,663	0	0	0	0	125,663	125,663	0
0	0	0	0	0	0	(125,663)	(125,663)	0
0	0	0	500,901	500,901	0	879,887	879,887	0
0	0	0	(362,712)	(362,712)	0	(891,887)	(891,887)	0
125,663	125,663	0	290,189	290,189	0	142,375	143,254	879
3,430	3,430	0	(429,842)	(338,370)	91,472	(1,590,842)	(617,601)	973,241
20,823	20,823	0	37,519	37,519	0	2,867,687	2,867,687	0
0	0	0	393,819	393,819	0	774,471	774,471	0
\$24,253	\$24,253	\$0	\$1,496	\$92,968	\$91,472	\$2,051,316	\$3,024,557	\$973,241

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u><i>Enterprise Funds</i></u>
<u>Operating Revenues:</u>	
Tuition and Fees	\$89,379
Sales	320,746
Total Operating Revenues	<u>410,125</u>
<u>Operating Expenses:</u>	
Salaries and Wages	145,718
Fringe Benefits	66,913
Contractual Services	2,070
Materials and Supplies	320,580
Depreciation	4,294
Total Operating Expenses	<u>539,575</u>
Operating Loss	(129,450)
<u>Nonoperating Revenues:</u>	
Operating Grants	85,887
Federally Donated Commodities	21,532
Investment Earnings	282
Refund of Prior Year's Expenses	182
Total Nonoperating Revenues	<u>107,883</u>
Net Loss	(21,567)
Retained Earnings at Beginning of Year	<u>33,302</u>
Retained Earnings at End of Year	<u><u>\$11,735</u></u>

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$320,928
Cash Received from Tuition and Fee Payments	89,066
Cash Payments for Goods and Services	(297,264)
Cash Payments to Employees for Services and Benefits	(207,642)
Net Cash Used by Operating Activities	<u>(94,912)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Subsidies Received	83,832
Advances In from Other Funds	12,000
Net Cash Provided by Noncapital Financing Activities	<u>95,832</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(836)
Net Cash Used for Capital and Related Financing Activities	<u>(836)</u>
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	282
Net Cash Provided by Investing Activities	<u>282</u>
Net Increase in Cash and Cash Equivalents	366
Cash and Cash Equivalents at Beginning of Year	<u>40,518</u>
Cash and Cash Equivalents at End of Year	<u><u>\$40,884</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$129,450)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	4,294
Donated Commodities Used During the Year	21,532
Refund of Prior Years' Expenses	182
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(313)
Decrease in Inventory	1,536
Increase in Prepaid Items	(124)
Increase in Accounts Payable	3,893
Increase in Accrued Wages and Benefits	5,846
Decrease in Intergovernmental Payables	(668)
Decrease in Deferred Revenue	(1,451)
Decrease in Compensated Absences	(189)
Total Adjustments	<u>34,538</u>
Net Cash Used by Operating Activities	<u><u>(\$94,912)</u></u>

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/ expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

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

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trust(s), or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

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

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and two agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except that accounted for in the proprietary funds.

C. Basis of Accounting

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

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

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

Property taxes measurable as of June 30, 1999, but which are not intended to finance fiscal year 1999 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

All funds, other than the agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Budgetary information for the Eisenhower Grant and Preschool Grant (special revenue funds) is not reported. These funds are the activity of expenditures paid by the Miami County Educational Service Center on behalf of the District. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 1999.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1st of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1st of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations (Continued)

appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$165,464	(\$39,890)	\$3,430	(\$141,977)
Increase (Decrease):				
Accrued Revenues at June 30, 1999, received during FY 2000	(805,695)	(2,824)	0	(29,355)
Accrued Revenues at June 30, 1998, received during FY 1999	563,146	0	0	20,613
Accrued Expenditures at June 30, 1999, paid during FY 2000	1,098,598	53,587	0	603,955
Accrued Expenditures at June 30, 1998, paid during FY 1999	(1,058,956)	(58,740)	0	(371,577)
Revenues of Unbudgeted Fund	0	(11,028)	0	0
Expenditures of Unbudgeted Fund	0	6,140	0	0
FY 1998 Prepays for FY 1999	4,790	201	0	0
FY 1999 Prepays for FY 2000	(10,277)	(4,421)	0	0
Encumbrances Outstanding	(156,567)	(26,189)	0	(420,029)
Budget Basis	<u>(\$199,497)</u>	<u>(\$83,164)</u>	<u>\$3,430</u>	<u>(\$338,370)</u>

E. Cash and Cash Equivalents

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 4, Cash, Cash Equivalents and Investments.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost.

The District has invested funds in the STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999. See Note 4, Cash, Cash Equivalents and Investments.

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and expenses in the proprietary funds when used.

Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and non-food supplies.

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

General fixed asset values were initially determined at June 30, 1994 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. The District has elected not to record depreciation in the General Fixed Asset Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (years)
Machinery, Equipment, Furniture and Fixtures	5-20

I. Long-Term Obligations

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

Obligation	Fund
General Obligation Bond	General Obligation Bond Retirement Fund
Installment Notes	General Obligation Bond Retirement Fund
Intergovernmental Payable	General Fund, Food Services Fund
Compensated Absences	General Fund, Title VI-B Fund, Title I Fund, Drug Free School Grant Fund, Food Services Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," compensated absences are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Vacation leave does not accumulate from year to year. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year. Upon retirement, employees will receive one-third of the accumulated sick leave up to a maximum of 55 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as Other Financing Sources and Uses in the governmental funds, as "Operating transfers in" by the recipient fund, and "Operating transfers out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers made during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Restricted Assets

Restricted assets represent cash and cash equivalents set aside to establish reserves for textbooks, capital acquisition, and budget stabilization. This reserve is required by state statute.

N. Reservations of Fund Balance

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

O. Estimates

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on Combined Financial Statements - Overview

Total columns on the Combined Statements-Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - PRIOR PERIOD ADJUSTMENT

The fund balances at June 30, 1998 of the Eisenhower Grant Fund and the Preschool Grant Fund (special revenue funds) have been restated from amounts previously reported to properly record amounts held on behalf of the District by Miami County Educational Service Center, the fiscal agent.

Special Revenue Funds	
Fund Balance 6/30/98 (as reported)	\$205,132
Funds held by Fiscal Agent	2,692
Fund Balance 6/30/98 (restated)	<u>\$207,824</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 1999 of \$904 in the Title VI-B Fund (special revenue), \$36,703 in the Chapter I Fund (special revenue), \$696 in the Drug Free Grant Fund (special revenue), and \$129,705 in the Emergency School Building Repair Fund (capital project) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting. The fund deficit at June 30, 1999 of \$21,677 in the Food Service Fund (enterprise fund) arises from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*, collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Deposits:

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

Investments:

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

A. Deposits

At fiscal year end the carrying amount of the District's deposits was \$269,846 and the bank balance was \$425,142. The Federal Deposit Insurance Corporation (FDIC) covered \$200,000 of the bank balance, and all remaining deposits were classified as Category 3.

B. Investments

The District's investments at June 30, 1999 were as follows:

	<u>Category 3</u>	<u>Fair Value</u>
Categorized Investments		
U.S. Treasury Notes	\$892,066	\$892,066
Federal Home Loan Bank Notes	486,805	486,805
Federal Home Loan Mortgage Corporation Notes	391,965	391,965
Federal National Mortgage Association Notes	197,604	197,604
Noncategorized Investments		
STAR Ohio	N/A	1,508,402
Total Investments	<u>\$1,968,440</u>	<u>\$3,476,842</u>

C. Cash with Fiscal Agent

The District has cash with fiscal agent in the amount of \$7,580. This amount represents uninsured and uncollateralized cash being held by the Miami County Educational Service Center.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$1,750,026	\$1,996,662
Investments:		
STAR Ohio	(1,508,402)	1,508,402
Certificates of Deposit (with maturities of more than 3 months)	28,222	(28,222)
Per GASB Statement No. 3	<u>\$269,846</u>	<u>\$3,476,842</u>

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the District. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 5 - PROPERTY TAXES (Continued)

The assessed value upon which the fiscal year 1999 receipts were based are:

	1998 Second Half Collections	1999 First Half Collections
Agricultural/Residential and Other Real Estate	\$108,975,850	\$122,642,550
Public Utility Personal	14,050,020	13,851,080
Tangible Personal Property	5,485,560	5,706,950
Total Assessed Value	<u>\$128,511,430</u>	<u>\$142,200,580</u>
Taxrate per \$1,000 of assessed valuation	\$58.48	\$58.48

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for the fiscal year 1999:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$125,663
Debt Service Fund:		
Bond Retirement Fund	125,663	0
Total All Funds	<u>\$125,663</u>	<u>\$125,663</u>

NOTE 8 - INTERFUND RECEIVABLE AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 1999:

	Interfund Loan Receivables	Interfund Loan Payables
General Fund	\$499,175	\$0
Special Revenue Fund:		
Chapter I Fund	0	16,274
Capital Project Funds:		
Permanent Improvement Fund	0	285,438
Emergency School Building Repair Fund	0	185,463
Total Capital Project Funds	<u>0</u>	<u>470,901</u>
Enterprise Fund:		
Food Service	0	12,000
Totals	<u>\$499,175</u>	<u>\$499,175</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Class	June 30, 1998	Additions	Deletions	June 30, 1999
Land	\$132,665	\$87,842	\$0	\$220,507
Buildings	1,502,214	745,868	0	2,248,082
Machinery and Equipment	1,591,422	452,834	(72,929)	1,971,327
Vehicles	750,720	199,527	(63,200)	887,047
Construction in Progress	183,137	34,714	0	217,851
Totals	\$4,160,158	\$1,520,785	(\$136,129)	\$5,544,814

B. Proprietary Fixed Assets

Summary by category at June 30, 1999:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$171,933	(\$127,493)	\$44,440
Total Property, Plant and Equipment	\$171,933	(\$127,493)	\$44,440

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

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

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

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1999, (the latest information available) 7.7% was allocated to fund the pension and 6.3% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$168,786, \$155,454, and \$146,844, respectively, which were equal to the required contributions for each year.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 6.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$51,106.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million, at cost.

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

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

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$701,976, \$652,944, and \$624,576, respectively, which were equal to the required contributions for each year.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 was 8% of covered payroll. For the fiscal year ended June 30, 1999, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

NOTE 11 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at fiscal year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1999, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group were:

	Sick Leave	Vacation	Total
Liability	\$825,944	\$48,202	\$874,146

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

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

Long-Term debt and other long-term obligations of the District at June 30, 1999 were as follows:

		Balance June 30, 1998	Issued (Retired)	Balance June 30, 1999
General Long-Term Debt:				
(General Obligation Bond)				
Energy Conservation - 1994	5.98%	\$402,500	(\$57,500)	\$345,000
(Installment Note)				
Energy Conservation - 1990	7.25%	100,174	(33,391)	66,783
Total General Long-Term Debt		502,674	(90,891)	411,783
Other General Long-Term Obligations:				
Intergovernmental Payable		74,033	4,853	78,886
Compensated Absences		769,530	104,616	874,146
Total Other General Long-Term Obligations		843,563	109,469	953,032
Total General Long-Term Debt and Other General Long-Term Obligations		\$1,346,237	\$18,578	\$1,364,815

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 1998 follows:

Years	General Obligation Bond		Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$57,500	\$20,631	\$33,391	\$4,842	\$90,891	\$25,473
2001	57,500	17,193	33,392	2,421	90,892	19,614
2002	57,500	13,754	0	0	57,500	13,754
2003	57,500	10,316	0	0	57,500	10,316
2004	57,500	6,877	0	0	57,500	6,877
2005	57,500	3,439	0	0	57,500	3,439
Totals	\$345,000	\$72,210	\$66,783	\$7,263	\$411,783	\$79,473

NOTE 13 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$34,751	\$34,751
Current Year Set-Aside Requirement	143,640	143,640	71,820	359,100
Worker's Compensation Refund	0	0	2,013	2,013
Current Year Offset Credits	0	(352,414)	0	(352,414)
Qualifying Disbursements	(300,492)	(557,992)	0	(858,484)
Total	(\$156,852)	(\$766,766)	\$108,584	(\$815,034)
Cash Balance Carried Forward to FY 2000	\$0	\$0	\$108,584	\$108,584
Amount Restricted for Budget Stabilization				\$108,584
Total Restricted Assets				\$108,584

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

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales, Recreation, and Farm activities. The key financial information for the fiscal year ended June 30, 1999, for these enterprise activities is as follows:

	Food Services	Uniform School Supply	Recreation	Farm	Total
Operating Revenues	\$320,746	\$89,379	\$0	\$0	\$410,125
Depreciation Expense	4,294	0	0	0	4,294
Operating Gain (Loss)	(130,455)	1,005	0	0	(129,450)
Net Income (Loss)	(22,572)	1,005	0	0	(21,567)
Property, Plant and Equipment:					
Additions	836	0	0	0	836
Federal and State Subsidies	107,419	0	0	0	107,419
Total Assets	73,439	21,097	2,006	10,510	107,052
Net Working Capital	(47,330)	20,896	2,006	10,510	(13,918)
Total Equity	(21,677)	20,896	2,006	10,510	11,735

NOTE 15- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 1999 the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Nationwide Insurance Company	Automobile/Fleet	\$250
Nationwide Insurance Company	Property	\$500
Nationwide Insurance Company	General Liability	\$0

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

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

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

NOTE 16 - RELATED ORGANIZATION

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General fund. During fiscal year 1999, the school district paid \$4,781 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state of local government for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 1999, the School District paid \$51,725 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalla, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The School District did not contribute financially to this organization during fiscal year 1999. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Jessup, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

NOTE 18 - CONSTRUCTION COMMITMENTS

As of June 30, 1999, the District had the following contract with respect to capital projects:

Capital Projects	Remaining Construction Contract	Expected Date of Completion
Locker Replacement	\$23,386	7/30/99
Roof Top HVAC	64,800	8/14/99
Elevator Repair-High School	41,677	8/20/99
Electrical Package Upgrade	209,674	8/20/99

NOTE 19 - YEAR 2000 ISSUE

The year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

Milton-Union Exempted Village School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations. The District uses S & F Software for its financial reporting, payroll and employee benefits, and education statistical reporting (through the State's Education Management and Information System (EMIS)). This vendor is responsible for remediating these systems. The vendor has completed the validation and testing of the system and believes it to be year 2000 compliant.

The District has two school buildings, the board administration office is located in the elementary/middle school complex with electronic security systems and computerized heating and air units. The District has a contingency plan to reasonably assure continued operation of these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of 'Foundation' and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Miami County collects property taxes for distribution to the District. Miami County is responsible for remediating the tax collection system.

NOTE 19 - YEAR 2000 ISSUE (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Milton-Union Exempted Village School District is or will be Year 2000 ready, that the Milton-Union Exempted Village School District's remediation efforts will be successful in whole or in part, or that parties with whom the Milton-Union Exempted Village School District does business will be year 2000 ready.

NOTE 20 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

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

C. State School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,963,655 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of the report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$20,080	\$0	\$21,532
National School Lunch Program	03-PU-98 04-PU-98 03-PU-99 04-PU-99	10.555	7,337 15,342 39,273 17,687	0 0 0 0	7,337 15,342 39,273 17,687	0 0 0 0
Total National School Lunch Program			79,639	0	79,639	0
Total U.S. Department of Agriculture - Nutrition Cluster			79,639	20,080	79,639	21,532
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1-S1 98C C1-S1 99	84.010	879 157,199	0 0	25,107 163,028	0 0
Total Title I Grants to Local Educational Agencies			158,078	0	188,135	0
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	6B-SF 98 6B-SF 99	84.027	0 76,356	0 0	19,346 73,971	0 0
Total Special Education Grants to States (Title VI-B)			76,356	0	93,317	0
Special Education Preschool Grant	6B-EHA99	84.173	3,042	0	3,007	0
Total Special Education Cluster			79,398	0	96,324	0
Vocation Education Basic Grants to States	V2-S1-98 V2-S1-99	84.048	0 3,012	0 0	924 2,762	0 0
Total Vocation Education Basic Grants to States			3,012	0	3,686	0
Safe and Drug-Free Schools and Communities State Grants	DR-S1-98 DR-S1-99	84.186	0 9,665	0 0	881 8,920	0 0
Total Safe and Drug-Free Schools and Communities State Grants			9,665	0	9,801	0
Goals 2000 State and Local Education Systemic Improvement	G2-S2-98 G2-S2-98C G2-S2-99	84.276	11,007 31,953 28,250	0 0 0	11,007 64,900 0	0 0 0
Total Goals 2000 State and Local Education Systemic Improvement			71,210	0	75,907	0
Eisenhower Professional Development State Grants	MS-S1 99 MS-S2 98	84.281	0 7,986	0 0	2,123 1,336	0 0
Total Eisenhower Professional Development State Grants			7,986	0	3,459	0
Innovative Education Program Strategies (Title II)	C2-S1-99	84.298	6,841	0	2,966	0
Total U.S. Department of Education			336,190	0	380,278	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$415,829	\$20,080	\$459,917	\$21,532

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this statement.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and consumed. At June 30, 1999, the District had no significant food commodities in inventory. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

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

To the Board of Education:

We have audited the general-purpose financial statements of Milton-Union Exempted Village School District, *Miami County, (the District)*, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 28, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 28, 1999.

Board of Education
Milton-Union Exempted Village School District
Miami County
Report of Independent Accountants on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular scribble.

JIM PETRO
Auditor of State

December 28, 1999



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Milton-Union Exempted Village School District, Miami County, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Milton-Union Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

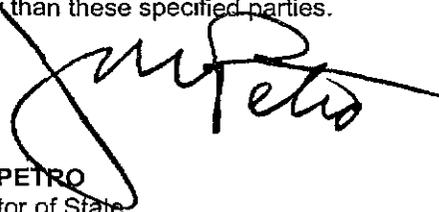
Internal Control Over Compliance

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

Internal Control Over Compliance
(Continued)

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

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



JIM PETRO
Auditor of State

December 28, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

No Findings required to be reported under GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Findings or Questioned Costs reported for federal awards.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: FEBRUARY 8, 2000