



**MILLCREEK WEST UNITY LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Millcreek-West Unity Local School District  
Williams County  
113 South Defiance Street, P.O. Box 505  
West Unity, Ohio 43570-0505

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

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. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, Ohio, as of June 30, 2004 and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund and for the year then ended in conformity with the basis of accounting in Note 2 describes.

For the year ended June 30, 2004, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



**Betty Montgomery**  
Auditor of State

January 4, 2006

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

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2004 are as follows:

In total, net assets decreased \$92,547.

General revenues accounted for \$4,659,514, or 82 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,037,228 or 18 percent of total revenues of \$5,696,742.

The District's major funds included the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$5,141,530 in receipts and other financing sources and \$5,176,841 in disbursements and other financing uses. The General Fund's balance decreased \$35,311 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$102,974 in receipts and other financing sources and \$128,407 in disbursements and other financing uses. The Bond Retirement Debt Service Fund's balance decreased \$25,433 from the prior fiscal year.

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

In an effort to reverse deficit spending of previous fiscal years, the Board made spending cuts for fiscal year 2004. These cuts included a reduction of three and one-half teaching staff, elimination of field trips and professional meetings, 10% reduction in Athletic Dept. expenses, \$50 limit on teacher supplies, and reduction in extended contracts awarded. Administrative contract salary reductions resulted in a savings of \$17,754. Postage, supplies, and telephone service reductions added \$6,200 in savings. These cuts reduced disbursements over \$253,779. Additional savings in disbursements were realized when negotiations with certified staff resulted in a 0% increase on base salary and non-union employees' salaries were frozen for fiscal year 2005.

**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 assets and the statement of activities, both reported on the modified cash basis, 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 Debt Service Fund are the District's major funds.

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

**Management's Discussion and Analysis  
For the Year Ended June 30, 2004  
(Continued)**

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities, both reported on the modified cash basis, reflects how the District did financially during fiscal year 2004. These statements are reported on the modified cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets 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 statement of net assets, modified cash basis, and the statement of activities, modified cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**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 statement focus on the District's most significant funds. The District's major funds are the General Fund and the Bond Retirement Debt Service Fund.

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 modified 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 modified cash basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis is not provided because this is the first year for government-wide financial statements using the modified cash basis of accounting. An analysis will be provided in future years when prior year information is available.



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

**Management's Discussion and Analysis  
For the Year Ended June 30, 2004  
(Continued)**

**Table 1  
Net Assets – Modified Cash Basis  
Governmental Activities**

	<b>2004</b>
<u>Assets:</u>	
Cash and Cash Equivalents	\$624,746
Total Assets	624,746
 <u>Net Assets:</u>	
Restricted	442,248
Unrestricted	182,498
Total	\$624,746

Table 2 reflects the changes in net assets for fiscal year 2004. This is the first year of implementation of the GASB 34 OCBOA reporting format. Comparative figures are not available for fiscal year 2004. A comparative analysis will be provided in future years when prior year information is available.

**Table 2  
Change in Net Assets – Modified Cash Basis  
Governmental Activities**

	<b>2004</b>
<u>Revenues:</u>	
Program Revenues:	
Charges for Services and Sales	\$703,220
Operating Grants, Contributions and Interest	315,033
Capital Grants and Contributions	18,975
Total Program Revenues	1,037,228
General Revenues:	
Property Taxes	1,670,558
Grants and Entitlements	2,705,082
Gifts and Donations	175,014
Investment Earnings	19,749
Miscellaneous	54,919
Refund of Prior Year Expenditures	34,192
Total General Revenues	4,659,514
Total Revenues	\$5,696,742

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

**Management's Discussion and Analysis  
For the Year Ended June 30, 2004  
(Continued)**

<u>Expenses:</u>	
Instruction	3,525,199
Support Services:	
Pupils	144,129
Instructional Staff	113,751
Board of Education	28,095
Administration	527,214
Fiscal	124,440
Operation and Maintenance of Plant	409,537
Pupil Transportation	252,134
Central	33,836
Non-Instructional	259,349
Extracurricular Activities	234,310
Capital Outlay	6,459
Principal	103,000
Interest and Fiscal Charges	23,598
Refund of Prior Year Receipts	3,938
Advances Out	300
Total Expenses	<u>5,789,289</u>
Increase in Net Assets	<u>(\$92,547)</u>

Program receipts account for 18 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 61 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 9 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. The remaining 23 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.

**Governmental Activities**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, modified cash basis, reflects the cost of program service 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. Comparisons to 2003 have not been presented since they are not available.

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

**Management's Discussion and Analysis  
For the Year Ended June 30, 2004  
(Continued)**

**Table 3  
Governmental Activities – Modified Cash Basis**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2004</b>	<b>2004</b>
Instruction	\$3,525,199	\$2,712,245
Support Services:		
Pupils	144,129	144,129
Instructional Staff	113,751	113,751
Board of Education	28,095	28,095
Administration	527,214	522,214
Fiscal	124,440	124,440
Operation and Maintenance of Plant	409,537	409,537
Pupil Transportation	252,134	252,134
Central	33,836	33,836
Non-Instructional	259,349	112,807
Extracurricular Activities	234,310	161,578
Capital Outlay	6,459	6,459
Principal	103,000	103,000
Interest and Fiscal Charges	23,598	23,598
Refund of Prior Year Receipts	3,938	3,938
Advances Out	300	300
Total Expenses	<u>\$5,789,289</u>	<u>\$4,752,061</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 77 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 82 percent. The remaining 18 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 modified cash basis of accounting. The District's major government fund was the General Fund and the Bond Retirement Debt Service Fund. Total governmental funds had receipts of \$5,903,615 and disbursements of \$5,996,162. General Fund receipts were \$35,311 less than disbursements primarily due to property tax amounts received being less than anticipated. The Bond Retirement Debt Service Fund receipts were \$25,433 less than disbursements primarily due to property tax collections being reduced by the County Auditor.

**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 2004, the District amended its General Fund budget as needed. Final expenditures were budgeted at \$5,379,602 while actual expenditures were \$5,227,222. Final revenues were budgeted at \$5,171,266, above original budget estimates of \$4,171,266. Of this \$1,000,000 difference, most was due to conservative tuition and property and other tax estimates in the original budget.

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

**Management's Discussion and Analysis  
For the Year Ended June 30, 2004  
(Continued)**

**Debt Administration**

At June 30, 2004 the District has \$255,000 in general obligation bonds for the construction of an elementary building. The bonds were issued for a twenty-two year period with final maturity on December 1, 2007. The bonds are retired from the Bond Retirement Debt Service Fund.

At June 30, 2004 the District has \$27,000 in Energy Conservation Improvement Notes. The notes mature on August 4, 2005. Payments are made from the Bond Retirement Debt Service Fund.

At June 30, 2004, the District's overall legal debt margin was \$4,938,518, with an un-voted debt margin of \$57,706.

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

**Current Issues**

The Board has authorized reductions in staff to keep disbursements within receipts annually. Disbursements will be monitored closely in fiscal year 2005. Replacement of retiring certified staff will be addressed this year as well as in future fiscal years. Additionally, transportation service hours have been reduced where possible which resulted in a saving of \$2,300 for fiscal year 2005.

The District had two issues on the ballot for additional operating funds in 2004. One in March 2004 for a 5.2 Emergency levy for five years and another for a 1% income tax levy in August for continuing years. Both issues passed, but it should be noted that a current 5.2 emergency levy would be expired after the last collection in 2005. The new levies will take effect January 1, 2005. Only a small payment will be received in fiscal year 2005 on the income tax.

**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 Marilyn Wreede, Treasurer, Millcreek-West Unity Local School District, 113 S. Defiance Street, P.O. Box 505, West Unity, Ohio 43570.

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

Statement of Net Assets - Modified Cash Basis  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 624,746
<i>Total Assets</i>	<u>624,746</u>
<b>Net Assets:</b>	
Restricted for Debt Service	341,923
Restricted for Capital Outlay	21,972
Restricted for Other Purposes	78,353
Unrestricted	182,498
<i>Total Net Assets</i>	<u>\$ 624,746</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 2,563,745	\$ 485,121	\$ 99,795	\$ 18,975	\$ (1,959,854)
Special	673,718		209,063		(464,655)
Vocational	175,761				(175,761)
Other	111,975				(111,975)
Support Services:					
Pupils	144,129				(144,129)
Instructional Staff	113,751				(113,751)
Board of Education	28,095				(28,095)
Administration	527,214		5,000		(522,214)
Fiscal	124,440				(124,440)
Operation and Maintenance of Plant	409,537				(409,537)
Pupil Transportation	252,134				(252,134)
Central	33,836				(33,836)
Operation of Non-Instructional Services	259,349	145,367	1,175		(112,807)
Extracurricular Activities	234,310	72,732			(161,578)
Capital Outlay	6,459				(6,459)
Debt Service:					
Principal	103,000				(103,000)
Interest and Fiscal Charges	23,598				(23,598)
Other Financing Sources and (Uses)					
Refund of Prior Year Receipts	3,938				(3,938)
Advances Out	300				(300)
<b>Totals</b>	<b>\$ 5,789,289</b>	<b>\$ 703,220</b>	<b>\$ 315,033</b>	<b>\$ 18,975</b>	<b>(4,752,061)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for General Purposes					1,630,809
Property Taxes, Levied for Debt Service					39,749
Grants and Entitlements not Restricted to Specific Programs					2,705,082
Gifts and Donations					175,014
Investment Earnings					19,749
Miscellaneous					54,919
Refund of Prior Year Expenditures					34,192
<b>Total General Revenues</b>					<b>4,659,514</b>
<b>Change in Net Assets</b>					<b>(92,547)</b>
<b>Net Assets Beginning of Year</b>					<b>717,293</b>
<b>Net Assets End of Year</b>					<b>\$ 624,746</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2004**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents		\$ 341,923	\$ 100,325	\$ 442,248
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 182,498			182,498
<i>Total Assets</i>	\$ 182,498	\$ 341,923	\$ 100,325	\$ 624,746
 <b>Fund Balances</b>				
Reserved for Textbooks and Instructional Materials	\$ 193,667			\$ 193,667
Reserved for Capital Acquisition	143,191			143,191
Reserved for Encumbrances	50,379		\$ 30,281	80,660
Unreserved, Undesignated, Reported in:				
General Fund	(204,739)			(204,739)
Special Revenue Funds			48,072	48,072
Debt Service Funds		\$ 341,923		341,923
Capital Projects Funds			21,972	21,972
<i>Total Fund Balances</i>	\$ 182,498	\$ 341,923	\$ 100,325	\$ 624,746

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**Statement of Cash Receipts, Disbursements and  
Changes in Modified - Cash Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 1,630,809	\$ 39,749		\$ 1,670,558
Intergovernmental	2,681,025	4,290	\$ 353,775	3,039,090
Interest	11,438	7,906	405	19,749
Tuition and Fees	454,583		26,619	481,202
Rent	419			419
Extracurricular Activities			72,532	72,532
Gifts and Donations	169,255		5,759	175,014
Customer Sales and Services	3,500		145,567	149,067
Miscellaneous	54,919			54,919
<i>Total Revenues</i>	<u>5,005,948</u>	<u>51,945</u>	<u>604,657</u>	<u>5,662,550</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,433,292		130,453	2,563,745
Special	467,214		206,504	673,718
Vocational	175,761			175,761
Other	111,975			111,975
Support Services:				
Pupils	140,703		3,426	144,129
Instructional Staff	111,951		1,800	113,751
Board of Education	28,095			28,095
Administration	511,794		15,420	527,214
Fiscal	119,531	1,809	3,100	124,440
Operation and Maintenance of Plant	409,537			409,537
Pupil Transportation	252,134			252,134
Central	33,836			33,836
Operation of Non-Instructional Services	16,718		242,631	259,349
Extracurricular Activities	157,127		77,183	234,310
Capital Outlay			6,459	6,459
Debt Service:				
Principal		103,000		103,000
Interest		23,598		23,598
<i>Total Expenditures</i>	<u>4,969,668</u>	<u>128,407</u>	<u>686,976</u>	<u>5,785,051</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>36,280</u>	<u>(76,462)</u>	<u>(82,319)</u>	<u>(122,501)</u>
<b>Other Financing Sources and (Uses):</b>				
Transfers In	101,390	51,029	54,454	206,873
Refund of Prior Year Expenditures	34,192			34,192
Transfers Out	(206,873)			(206,873)
Refund of Prior Year Receipts			(3,938)	(3,938)
Advances Out	(300)			(300)
<i>Total Other Financing Sources and (Uses)</i>	<u>(71,591)</u>	<u>51,029</u>	<u>50,516</u>	<u>29,954</u>
<i>Net Change in Fund Balances</i>	<u>(35,311)</u>	<u>(25,433)</u>	<u>(31,803)</u>	<u>(92,547)</u>
Fund Balance at Beginning of Year	217,809	367,356	132,128	717,293
<i>Fund Balance at End of Year</i>	<u>\$ 182,498</u>	<u>\$ 341,923</u>	<u>\$ 100,325</u>	<u>\$ 624,746</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual Comparison  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 1,392,042	\$ 1,701,284	\$ 1,630,809	\$ (70,475)
Intergovernmental	2,545,558	2,587,771	2,681,025	93,254
Interest	15,886	10,553	11,438	885
Tuition and Fees	136,561	479,716	454,583	(25,133)
Rent	135	142	419	277
Gifts and Donations	13	189,952	169,255	(20,697)
Customer Sales and Services	4,500	3,693	3,500	(193)
Miscellaneous	22,399	42,739	54,919	12,180
<i>Total Revenues</i>	<u>4,117,094</u>	<u>5,015,850</u>	<u>5,005,948</u>	<u>(9,902)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,389,983	2,475,242	2,465,597	9,645
Special	464,188	480,748	467,214	13,534
Vocational	176,165	182,449	175,761	6,688
Other	109,636	113,547	111,975	1,572
Support Services:				
Pupils	141,493	146,541	141,553	4,988
Instructional Staff	115,750	119,879	112,751	7,128
Board of Education	28,755	29,780	28,095	1,685
Administration	507,993	526,114	513,906	12,208
Fiscal	121,589	125,927	119,556	6,371
Operation and Maintenance of Plant	440,388	456,098	419,530	36,568
Pupil Transportation	293,277	272,669	255,914	16,755
Central	36,368	37,665	34,311	3,354
Operation of Non-Instructional Services:	25,920	26,845	16,718	10,127
Extracurricular Activities:	158,049	163,687	157,168	6,519
<i>Total Expenditures</i>	<u>5,009,554</u>	<u>5,157,191</u>	<u>5,020,049</u>	<u>137,142</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(892,460)</u>	<u>(141,341)</u>	<u>(14,101)</u>	<u>127,240</u>
<b>Other Financing Sources and Uses:</b>				
Transfers In	52,672	117,855	101,390	(16,465)
Refund of Prior Year Expenditures		36,061	34,192	(1,869)
Advances In	1,500	1,500		(1,500)
Transfers Out	(200,749)	(207,911)	(206,873)	1,038
Advances Out	(5,000)	(4,500)	(300)	4,200
Other Financing Uses		(10,000)		10,000
<i>Total Other Financing Sources and Uses</i>	<u>(151,577)</u>	<u>(66,995)</u>	<u>(71,591)</u>	<u>(4,596)</u>
<i>Net Change in Fund Balances</i>	<u>(1,044,037)</u>	<u>(208,336)</u>	<u>(85,692)</u>	<u>122,644</u>
Fund Balance (Deficit) at Beginning of Year	91,783	91,783	91,783	
Prior Year Encumbrances Appropriated	114,281	114,281	114,281	
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (837,973)</u>	<u>\$ (2,272)</u>	<u>\$ 120,372</u>	<u>\$ 122,644</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
June 30, 2004**

	Private Purpose Trust	Agency Fund
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 25,363	\$ 14,126
<i>Total Assets</i>	25,363	14,126
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		14,126
<i>Total Liabilities</i>		\$ 14,126
<b>Net Assets</b>		
Held in Trust for Scholarships	25,363	
<i>Total Net Assets</i>	\$ 25,363	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

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

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$ 452
Miscellaneous	<u>7,669</u>
<i>Total Additions</i>	<u>8,121</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>11,371</u>
<i>Total Deductions</i>	<u>11,371</u>
<i>Change in Net Assets</i>	(3,250)
Net Assets Beginning of Year	<u>28,613</u>
<i>Net Assets End of Year</i>	<u><u>\$ 25,363</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, 2004**

**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 facilities.

Reporting Entity

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

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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District does not have any component units.

The District is associated with eight 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 Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council 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 modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been

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

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

applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

The statement of net assets presents the cash balance 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. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. 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 on a modified cash basis or draws from the general revenues of the District.

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.

**B. Fund Accounting**

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable cash is assigned to the various governmental funds according

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

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

to the purposes for which it may or must be used. Expenditures are assigned to the fund from which they are paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major funds are the General Fund and the Bond Retirement Fund.

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 receipts designated to be used for debt service and related disbursements for bond 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.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 Ohio Administrative Code Section 117-2-03 (B) requires 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 modified cash-basis of accounting. This basis is a comprehensive of accounting other than generally accepted accounting principles.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

If the District utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All governmental-wide financials would be presented on the accrual basis of accounting.

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

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget 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 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. Budgetary allocations at the function and object level within all funds are made by the District Treasurer.

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 fiscal 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.

**E. Cash, Cash Equivalents, and Investments**

The District deposits and invests cash from all funds in a common pool. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments were limited to certificates of deposit.

Following state statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$11,438 which included \$8,311 assigned from other District funds.

**F. Restricted Assets**

The financial statements classify cash, cash equivalents, and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for textbooks and instructional materials and capital improvements.



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

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

**G. 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.

**H. Capital Assets**

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

**I. 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.

**J. 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.

**K. Long-term Obligations**

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments

**L. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources (uses). The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets 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 assets are available.

**N. Fund Balance Reserves**

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that

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

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

portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for textbooks and capital acquisition.

The reserve for textbooks and capital acquisition represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials and capital improvements.

**3. CHANGE IN ACCOUNTING BASIS AND RESTATEMENT OF FUND BALANCE**

The District previously reported under generally accepted accounting principles. Effective July 1, 2003, the District is reporting under the method described in Note 1. Beginning balances were restated on the basis of accounting in Note 1. All revenue and expense adjustments due to accrual basis of accounting were adjusted as follows:

	General	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Activities
Fund Balance Reported Under GAAP Basis at June 30, 2003	(\$350,536)	\$394,644	\$85,948	\$130,056
Adjustments:				
Revenue Accruals	(1,614,643)	(101,535)	(85,240)	(1,801,418)
Expense Accruals	2,182,988	74,247	94,484	2,351,719
GASB Statement 34 Adjustment				
Change in Fund Structure			36,874	
Fund Balance Restated on Modified Cash Basis	<u>\$217,809</u>	<u>\$367,356</u>	<u>\$132,128</u>	<u>\$717,293</u>

	Business Type Activities	Private Purpose Trust Funds	Total
Fund Balance Reported Under GAAP Basis at June 30, 2003	\$36,936	\$29,159	\$196,151
Adjustments:			
Revenue Accruals	(32,595)		(1,801,418)
Expense Accruals	32,533		2,351,719
GASB Statement 34 Adjustment			
Change in Fund Structure	(36,874)		
Fund Balance Restated on Modified Cash Basis	<u>\$-</u>	<u>\$29,159</u>	<u>\$132,128</u>

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

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

**4. Compliance**

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

Ohio Revised Code §§ 3315.17 (A) and 3315.18 (A), requires that any monies designated for the textbooks and instructional materials and capital and maintenance expenditures that are not used shall be carried forward to the next fiscal year. At June 30, 2004, \$193,667 and \$143,191 designated for textbook and instructional materials and capital and maintenance had not been used and was required to be carried forward to the next year. The District did not have enough cash assets to cover the unused amounts. The District's General Fund cash balance at June 30, 2004, was \$182,498.

**5. 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 Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 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 modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$50,379
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**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Board of Education 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, 2004  
(Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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;
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, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and
8. Under limited circumstances corporate debt interest rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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

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

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

delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2004, investments were limited to certificates of deposit.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

At fiscal year end, the carrying amount of the District's deposits was \$664,135 and the bank balance was \$769,888. Of the bank balance, \$133,350 was covered by federal depository insurance and \$636,538 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits
GASB Statement No. 9	\$664,235
Cash on Hand	(100)
GASB Statement No. 3	\$664,135

**7. LONG TERM OBLIGATIONS**

Changes in long-term obligations of the District during fiscal year 2004 were as follows:

	Balance at July 1, 2003	Additions	Deductions	Balance at June 30, 2004	Due within One Year
Elementary School Building	\$340,000		\$85,000	\$255,000	\$85,000
Energy Conservation Note	45,000		18,000	27,000	18,000

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

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

Debt outstanding at June 30, 2004 consisted of General Obligation Bonds totaling \$255,000 and an Energy Conservation Note totaling \$27,000 (interest rates at June 30, 2004 were 7.50 percent and 6.33 percent for the bonds and note, respectively). The bonds were issued in May 1986 and will mature in December 2006. The note was issued in August 1995 and will mature in August 2005.

Total expenditures for interest for the above debt for the period ended June 30, 2004, was \$23,958.

The scheduled payments of principal and interest on debt outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$103,000	\$16,576	\$119,576
2006	94,000	9,690	103,690
2007	85,000	3,188	88,188
Total	<u>\$282,000</u>	<u>\$29,454</u>	<u>\$311,454</u>

**8. 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.

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 2004 represent the collection calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 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.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30, are usually received

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

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

by the District prior to June 30. This year, the June 2004, tangible personal property tax settlement was not received until July 2004.

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, 2004, are available to finance fiscal year 2004 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 2004 taxes are based are as follows:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$40,276,28			
	0	71%	\$41,280,880	72%
Industrial/Commercial	5,879,630	10%	6,425,420	11%
Public Utility	2,566,850	5%	2,451,890	4%
Tangible Personal	7,808,040	14%	7,547,570	13%
Total Assessed Value	\$56,530,80		\$57,705,760	
	0	100%	\$57,705,760	100%
Tax rate per \$1,000 of assessed valuation	\$53.10		\$53.10	

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**9. RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers 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 participates in the Ohio School Plan (Plan), an insurance purchasing pool. The District maintains liability insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles 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 Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities.

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

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

The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, 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 Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). 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.

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.

**10. DEFINED BENEFIT PENSION PLAN**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a financial report, obtainable by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC Plan and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC Plan or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DB Plan into the DC Plan or Combined Plan. This option expired on December 31, 2001.



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

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

Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, presently 14 percent; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$387,863, \$264,987 and \$260,432, respectively; equal to 100% of the required contributions for each year.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. 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 District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$72,262, \$41,497, and \$35,498, equal to 100% of the required contributions for each year.

**11. POST-EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All

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

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

benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$29,835.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the District, the amount to fund health care benefits, including the surcharge, was \$45,358 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**12. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Certain employees are permitted 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 (earned on a pro rata basis for less than full-time employees). 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 35 days. For employees with 10-19 years of service, the maximum is 45 days; for employees with 20 or more years of service, the maximum is 55 days.

**13. STATUTORY RESERVES**

The District is required by State Statute to annually set aside in the General Fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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

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

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

year-end and carried forward to be used for the same purpose in future years. The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Totals
Set-aside Balance as of June 30, 2003	\$ 160,011	\$ 60,799	\$ 220,810
Current Year Set-aside Requirement	101,390	101,360	202,750
Qualifying Disbursements	<u>(67,734)</u>	<u>(18,968)</u>	<u>(86,702)</u>
Total	<u>\$ 193,667</u>	<u>\$ 143,191</u>	<u>\$ 336,858</u>
Balance Carried Forward to FY 2005	<u>\$ 193,667</u>	<u>\$ 143,191</u>	<u>\$ 336,858</u>
Total Restricted Cash Assets	<u>\$ 182,498</u>	<u>\$ -</u>	<u>\$ 182,498</u>

Contrary to Ohio Revised Code §§ 3315.17 and 3315.18, the District did not have sufficient cash assets in the General fund to completely fund the reserve requirements.

**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. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, 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 22-900 State Route 34, 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

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

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

from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. The District made no payments to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**15. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

The Northern Buckeye Education Council Employee Insurance Benefits Program includes health, dental, life and vision insurance plans. The health and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contract with any third-party claims administrator or insurance company. The insurance group is governed by a council of two representatives from each of the four counties, in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

**B. NBEC 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 Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The

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

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

Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen-member board consisting of superintendents, Treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative, which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**16. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**17. 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, 2004.

**B. Litigation**

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

**18. INTERFUND BALANCES**

**A. Interfund Advances**

Unpaid interfund cash advances at June 30, 2004 were \$300. The General Fund advanced monies to the Student Activities Agency Fund.

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

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

**B. Interfund Transfers**

Transfers between funds during the year ended June 30, 2004 were as follows:

	Interfund Transfers In	Interfund Transfers Out
General	\$101,390	\$206,873
Bond Retirement	51,029	
Permanent Improvement	9,454	
Food Service	45,000	
	<u>\$206,873</u>	<u>\$206,873</u>



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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  
113 South Defiance Street, P.O. Box 505  
West Unity, Ohio 43570-0505

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millcreek-West Unity Local School District, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 4, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion on compliance with those provisions was not an

Millcreek-West Unity Local School District  
Williams County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the District's management dated January 4, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Education. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 4, 2006



MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2004

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

FINDING NUMBER 2004-001

Noncompliance Citation

**Ohio Revised 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 Administrative Code §117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, 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 that the financial report is prepared in accordance with generally accepted accounting principles

FINDING NUMBER 2004-002

Noncompliance Citation

**Ohio Revised Code §§ 3315.17(A) and 3315.18(A)** require the Board of Education of each city, exempted village, local and joint local vocational school district to establish a textbook and instructional materials fund and a capital and maintenance fund, respectively.

Per, Ohio Revised Code **§ 3315.17(A)**, each Board shall annually deposit into this fund amounts derived from revenues received by the District that would otherwise have been deposited in the general fund that is equal to three per cent of the formula amount for the preceding fiscal year, as defined in section 3317.02 of the Revised Code or another percentage if established by the Auditor of State under Division (C) of this section, multiplied by the District’s student population for the preceding fiscal year. Money in the textbook and instructional materials fund shall be used solely for textbooks, instructional software, and instructional materials, supplies, and equipment.

Per, Ohio Revised Code **§ 3315.18(A)**, each Board shall annually deposit into this fund amounts derived from revenues received by the District that would otherwise have been deposited in the general fund that is equal to three per cent of the formula amount for the preceding fiscal year, as defined in section 3317.02 of the Revised Code or another percentage if established by the Auditor of State under Division (B) of this section, multiplied by the District’s student population for the preceding fiscal year, except that money received from a permanent improvement levy authorized by section 5705.21 of the Revised Code may replace general revenue moneys in meeting the requirements of this section.

Money in the capital and maintenance fund shall be used solely for acquisition, replacement, enhancement, maintenance, or repair of permanent improvements, as that term defined in Ohio Revised Code § 5705.01. Any monies in either the fund that is not used shall carry forward to the next fiscal year.

The District has properly established these funds. However, the District did not spend the entire three percent allocated for textbooks and instructional materials and capital and maintenance funds. By law, these monies, shall be carried forward if they are not used. At June 30, 2004, \$193,667 for the textbook and instructional materials fund and \$143,191 for capital and maintenance fund had not been used. The District did not have enough cash assets to cover the unused amounts. The District's General Fund cash balance at June 30, 2004 was \$182,498. An adjustment was recorded to the District's financial statements to restrict this amount.

We recommend that the District establish separate special costs within the General Fund to account for the activity of the textbook and instructional materials fund and the capital and maintenance fund.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Amended Certificates of Estimated Resources amounts were not recorded in the financial records.	No	Partially Corrected, similar comment included in the management letter.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JANUARY 19, 2006**