



**MILLCREEK WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2005**



**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, 2005, 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, 2005 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.

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.

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**

**Management's Discussion and Analysis
For the Year Ended June 30, 2005**

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, 2005. 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 2005 are as follows:

In total, net assets decreased \$219,784.

General revenues accounted for \$4,469,251, or 80 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,098,587, or 20 percent of total revenues of \$5,567,788.

The District's major funds included the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$4,941,340 in receipts and other financing sources and \$5,037,177 in disbursements and other financing uses. The General Fund's balance decreased \$95,837 from the prior fiscal year. The Bond Retirement Debt Service Fund had \$24,197 in receipts and other financing sources and \$120,428 in disbursements. The Bond Retirement Debt Service Fund's balance decreased \$96,231 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 2005. These cuts included a replacement of retiring personnel with those qualified, but less experienced, on the salary schedule, elimination of field trips for first semester, limitation of professional meetings, repayment of transportation costs by the Athletic Department, and reduction in extended contracts awarded. The cuts reduced disbursements over \$25,000. 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, 2005
(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 2005. 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 statements 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 2005 compared to fiscal year 2004. The decrease in cash was attributed to a decrease in revenues and an increase in expenditures for fiscal year 2005.

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

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Continued)**

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

	2005	2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$404,962	\$624,746
Total Assets	<u>404,962</u>	<u>624,746</u>
<u>Net Assets:</u>		
Restricted	318,301	442,248
Unrestricted	86,661	182,498
Total	<u>\$404,962</u>	<u>\$624,746</u>

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

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

	2005	2004
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$714,571	\$703,220
Operating Grants, Contributions and Interest	384,016	315,033
Capital Grants and Contributions		18,975
Total Program Revenues	<u>1,098,587</u>	<u>1,037,228</u>
General Revenues:		
Property Taxes	1,678,169	1,670,558
Income Taxes	26,043	
Grants and Entitlements	2,708,841	2,705,082
Gifts and Donations	13,455	175,014
Investment Earnings	15,598	19,749
Miscellaneous	27,100	54,919
Refund of Prior Year Expenditures	45	34,192
Total General Revenues	<u>4,469,251</u>	<u>4,659,514</u>
Total Revenues	<u>5,567,838</u>	<u>5,696,742</u>

(Continued)

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

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Continued)**

(Continued)	2005	2004
<u>Expenses:</u>		
Instruction	3,419,198	3,525,199
Support Services:		
Pupils	146,026	144,129
Instructional Staff	121,299	113,751
Board of Education	25,381	28,095
Administration	535,329	527,214
Fiscal	125,423	124,440
Operation and Maintenance of Plant	451,043	409,537
Pupil Transportation	303,854	252,134
Central	52,616	33,836
Non-Instructional	239,741	259,349
Extracurricular Activities	243,440	234,310
Capital Outlay	4,619	6,459
Principal	103,000	103,000
Interest and Fiscal Charges	16,603	23,598
Refund of Prior Year Receipts	50	3,938
Advances Out		300
Total Expenses	5,787,622	5,789,289
Increase in Net Assets	(\$219,784)	(\$92,547)

Program receipts account for 20 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 59 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 10 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 8 percent. The remaining 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 services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

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

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Continued)**

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

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Instruction	\$3,419,198	\$2,608,913	\$3,525,199	\$2,712,245
Support Services:				
Pupils	146,026	146,026	144,129	144,129
Instructional Staff	121,299	121,299	113,751	113,751
Board of Education	25,381	25,381	28,095	28,095
Administration	535,329	530,329	527,214	522,214
Fiscal	125,423	125,423	124,440	124,440
Operation and Maintenance of Plant	451,043	451,043	409,537	409,537
Pupil Transportation	303,854	303,854	252,134	252,134
Central	52,616	52,616	33,836	33,836
Non-Instructional	239,741	37,897	259,349	112,807
Extracurricular Activities	243,440	164,907	234,310	161,578
Capital Outlay	4,619	1,694	6,459	6,459
Principal	103,000	103,000	103,000	103,000
Interest and Fiscal Charges	16,603	16,603	23,598	23,598
Refund of Prior Year Receipts	50	50	3,938	3,938
Advances Out			300	300
Total Expenses	<u>\$5,787,622</u>	<u>\$4,689,035</u>	<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 76 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 80 percent. The remaining 20 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 governmental funds were the General Fund and the Bond Retirement Debt Service Fund. Total governmental funds had receipts of \$5,633,004 and disbursements of \$5,852,788. General Fund receipts were less than disbursements by \$95,837. The Bond Retirement Debt Service Fund receipts were also less than disbursements by \$96,231 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 2005, the District amended its General Fund budget as needed. Final expenditures were budgeted at \$5,816,743 while actual expenditures were \$5,160,525. The \$284,850 difference was primarily due to spending cuts implemented by the Board. Final revenues were budgeted at \$5,296,500, above actual amounts of \$4,941,340. Of this \$355,160 difference, most was due to less than anticipated amounts received from the intergovernmental and miscellaneous revenues sources and transfers-in.

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

**Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Continued)**

Debt Administration

At June 30, 2005 the District had \$170,000 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, 2005 the District had \$9,000 of Energy Conservation Improvement Notes. The notes mature on August 4, 2006. Payments are made from the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$5,081,936, with an un-voted debt margin of \$58,355.

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 of 1½ certified staff to keep disbursements within receipts annually. This savings will amount to approximately \$100,000, which includes salaries and benefits. Disbursements will be monitored closely in fiscal year 2006. Replacement of retiring/resigning 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 savings of \$5,000 for fiscal year 2006, and liability, fleet, and property insurance was reduced \$3,000.

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 was received in fiscal year 2005 on the income tax.

On July 26, 2004, the Ohio School Facilities Commission approved an \$18,672,973 master plan for constructing facilities for the District for Classroom Facilities. This was presented to the voters of the District in May 2005 and failed by 34 votes. Health insurance changes for FY06 will save the District approximately \$175,000 over the FY06 cost of the previous plan. The staff will contribute 5% of the cost for FY06 and FY07. Negotiations will reopen for FY08 and this issue will be further discussed.

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, 2005

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 404,962</u>
<i>Total Assets</i>	<u>404,962</u>
NET ASSETS:	
Restricted for Debt Service	245,692
Restricted for Capital Outlay	2,648
Restricted for Other Purposes	69,961
Unrestricted	<u>86,661</u>
<i>Total Net Assets</i>	<u><u>\$ 404,962</u></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, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 2,506,684	\$ 491,810	\$ 65,663	\$ (1,949,211)
Special	591,104		252,812	(338,292)
Vocational	119,197			(119,197)
Other	202,213			(202,213)
Support Services:				
Pupils	146,026			(146,026)
Instructional Staff	121,299			(121,299)
Board of Education	25,381			(25,381)
Administration	535,329		5,000	(530,329)
Fiscal	125,423			(125,423)
Operation and Maintenance of Plant	451,043			(451,043)
Pupil Transportation	303,854			(303,854)
Central	52,616			(52,616)
Operation of Non-Instructional Services	239,741	144,228	57,616	(37,897)
Extracurricular Activities	243,440	78,533		(164,907)
Capital Outlay	4,619		2,925	(1,694)
Debt Service:				
Principal	103,000			(103,000)
Interest and Fiscal Charges	16,603			(16,603)
Other Financing Uses:				
Refund of Prior Year Receipts	50			(50)
Totals	\$ 5,787,622	\$ 714,571	\$ 384,016	\$ (4,689,035)
 General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,678,169
Income Taxes				26,043
Grants and Entitlements not Restricted to Specific Programs				2,708,841
Gifts and Donations				13,455
Investment Earnings				15,598
Miscellaneous				27,100
Refund of Prior Year Expenditures				45
<i>Total General Revenues</i>				4,469,251
<i>Change in Net Assets</i>				(219,784)
Net Assets Beginning of Year				624,746
<i>Net Assets End of Year</i>				\$ 404,962

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, 2005**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents		\$ 245,692	\$ 72,609	\$ 318,301
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 86,661			86,661
<i>Total Assets</i>	<u>\$ 86,661</u>	<u>\$ 245,692</u>	<u>\$ 72,609</u>	<u>\$ 404,962</u>
FUND BALANCES:				
Reserved for Textbooks and Instructional Materials	\$ 252,078			\$ 252,078
Reserved for Capital Acquisition	186,212			186,212
Reserved for Encumbrances	123,348		\$ 10,665	134,013
Unreserved, Undesignated, Reported in:				
General Fund	(474,977)			(474,977)
Special Revenue Funds			59,296	59,296
Debt Service Funds		\$ 245,692		245,692
Capital Projects Funds			2,648	2,648
<i>Total Fund Balances</i>	<u>\$ 86,661</u>	<u>\$ 245,692</u>	<u>\$ 72,609</u>	<u>\$ 404,962</u>

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, 2005**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property and Other Local Taxes	\$ 1,678,169			\$ 1,678,169
Income Tax	26,043			26,043
Intergovernmental	2,724,933		\$ 367,924	3,092,857
Interest	9,813	\$ 5,531	254	15,598
Tuition and Fees	460,992		27,155	488,147
Rent	163			163
Extracurricular Activities			78,333	78,333
Gifts and Donations	9,215		4,240	13,455
Customer Sales and Services	3,500		144,428	147,928
Miscellaneous	26,967		133	27,100
<i>Total Revenues</i>	<u>4,939,795</u>	<u>5,531</u>	<u>622,467</u>	<u>5,567,793</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,417,996		88,688	2,506,684
Special	338,793		252,311	591,104
Vocational	119,197			119,197
Other	202,213			202,213
Support Services:				
Pupils	143,026		3,000	146,026
Instructional Staff	119,499		1,800	121,299
Board of Education	25,381			25,381
Administration	525,870		9,459	535,329
Fiscal	122,798	825	1,800	125,423
Operation and Maintenance of Plant	451,043			451,043
Pupil Transportation	303,854			303,854
Central	52,616			52,616
Operation of Non-Instructional Services			239,741	239,741
Extracurricular Activities	151,175		92,265	243,440
Capital Outlay			4,619	4,619
Debt Service:				
Principal		103,000		103,000
Interest		16,603		16,603
<i>Total Expenditures</i>	<u>4,973,461</u>	<u>120,428</u>	<u>693,683</u>	<u>5,787,572</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(33,666)</u>	<u>(114,897)</u>	<u>(71,216)</u>	<u>(219,779)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In		18,666		18,666
Refund of Prior Year Expenditures	45			45
Advances In	1,500		45,000	46,500
Transfers Out	(18,666)			(18,666)
Refund of Prior Year Receipts	(50)			(50)
Advances Out	(45,000)		(1,500)	(46,500)
<i>Total Other Financing Sources and Uses</i>	<u>(62,171)</u>	<u>18,666</u>	<u>43,500</u>	<u>(5)</u>
Net Change in Fund Balances	(95,837)	(96,231)	(27,716)	(219,784)
Fund Balance at Beginning of Year	182,498	341,923	100,325	624,746
<i>Fund Balance at End of Year</i>	<u>\$ 86,661</u>	<u>\$ 245,692</u>	<u>\$ 72,609</u>	<u>\$ 404,962</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget over (under)
REVENUES:				
Property and Other Local Taxes	\$ 1,730,000	\$ 1,730,000	\$ 1,678,169	\$ (51,831)
Income Tax			26,043	26,043
Intergovernmental	2,835,500	2,835,500	2,724,933	(110,567)
Interest	10,000	10,000	9,813	(187)
Tuition and Fees	500,000	500,000	460,992	(39,008)
Rent	100	100	163	63
Gifts and Donations	500	500	9,215	8,715
Customer Sales and Services	5,000	5,000	3,500	(1,500)
Miscellaneous	100,200	100,200	26,967	(73,233)
Total Revenues	5,181,300	5,181,300	4,939,795	(241,505)
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,444,701	2,506,915	2,426,683	80,232
Special	419,816	433,107	400,139	32,968
Vocational	125,344	129,312	119,347	9,965
Other	205,358	211,859	202,633	9,226
Support Services:				
Pupils	143,397	147,937	144,307	3,630
Instructional Staff	123,529	127,440	119,901	7,539
Board of Education	27,801	28,481	27,124	1,357
Administration	538,267	555,308	528,863	26,445
Fiscal	123,602	127,515	123,237	4,278
Operation and Maintenance of Plant	488,565	876,000	488,946	387,054
Pupil Transportation	352,170	363,319	311,838	51,481
Central	52,223	53,576	52,616	960
Extracurricular Activities:				
Academic Oriented Activities	24,774	25,559	16,417	9,142
Sport Oriented Activities	141,205	145,170	134,758	10,412
Total Expenditures	5,210,752	5,731,498	5,096,809	634,689
Excess of Revenues Over (Under) Expenditures	(29,452)	(550,198)	(157,014)	393,184
OTHER FINANCING SOURCES AND USES:				
Transfers In	100,000	100,000		(100,000)
Proceeds from Sale of Fixed Assets	100	100		(100)
Refund of Prior Year Expenditures	100	100	45	(55)
Advances In	15,000	15,000	1,500	(13,500)
Transfers Out	(19,623)	(20,245)	(18,666)	1,579
Refund of Prior Year Receipts		(100)	(50)	50
Advances Out	(14,717)	(65,000)	(45,000)	20,000
<i>Total Other Financing Sources and Uses</i>	<i>80,860</i>	<i>29,855</i>	<i>(62,171)</i>	<i>(92,026)</i>
<i>Net Change in Fund Balances</i>	<i>51,408</i>	<i>(520,343)</i>	<i>(219,185)</i>	<i>301,158</i>
Fund Balance (Deficit) at Beginning of Year	120,372	120,372	120,372	
Prior Year Encumbrances Appropriated	50,381	50,381	50,381	
Fund Balance (Deficit) at End of Year	\$ 222,161	\$ (349,590)	\$ (48,432)	\$ 301,158

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, 2005**

	Private Purpose Trust	Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 26,978	\$ 16,629
<i>Total Assets</i>	26,978	16,629
LIABILITIES:		
Current Liabilities:		
Undistributed Monies		16,629
<i>Total Liabilities</i>		\$ 16,629
NET ASSETS:		
Held in Trust for Scholarships	26,978	
<i>Total Net Assets</i>	\$ 26,978	

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, 2005

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 6,622
Interest	<u>193</u>
<i>Total Additions</i>	<u>6,815</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>5,200</u>
<i>Total Deductions</i>	<u>5,200</u>
<i>Change in Net Assets</i>	1,615
<i>Net Assets Beginning of Year</i>	<u>25,363</u>
<i>Net Assets End of Year</i>	<u><u>\$ 26,978</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, 2005**

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 are included to ensure 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 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 13 and 14 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, 2005
(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, 2005
(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, 2005
(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 object level within the General Fund and at the function and object level within all other 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 2005, 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 2005 amounted to \$9,813, which included \$5,785 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, 2005
(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 9 and 10, 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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 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. 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 carry forward to the next fiscal year. At June 30, 2005, \$252,078 and \$186,212 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, 2005, was \$86,661.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current appropriations in the General, District Managed Activity, Ohio Reads Grant, Summer Invention Grant, Title I Grant, Improve Teacher Quality Grant and Food Service Funds contrary to Ohio law.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of 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	\$123,348
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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, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations; provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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

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

Deposits

Deposits include amounts held in demand and savings accounts. At year-end the carrying amount of the District's deposits was \$449,469. The bank balance totaled \$533,287. Both the book and bank balances include \$\$271,081 in certificates of deposit.

The following table reconciles deposits on the statement of net assets with the carrying amount of deposits.

Deposits and Investments

Per: Statement of Net Assets	
Equity in Pooled Cash & Cash Equivalents	\$404,962
Per: Statement of Fiduciary Net Assets	
Equity in Pooled Cash & Cash Equivalents	43,607
Total Equity in Pooled Cash & Cash Equivalents	448,569
Cash on Hand	(100)
Carrying Amount of Deposits	\$448,469

6. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2005 were as follows:

	Balance at July 1, 2004	Additions	Deductions	Balance at June 30, 2005	Due within one year
Elementary School Building	\$255,000		\$85,000	\$170,000	\$85,000
Energy Conservation Note	27,000		18,000	9,000	9,000

Debt outstanding at June 30, 2005 consisted of General Obligation Bonds totaling \$170,000 and an Energy Conservation Note totaling \$9,000 (interest rates at June 30, 2005 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, 2005 was \$16,603.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

The scheduled payments of principal and interest on debt outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$94,000	\$9,690	\$103,690
2007	85,000	3,188	88,188
Total	\$179,000	\$12,878	\$191,878

7. PROPERTY TAXES

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

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 2005 represent the collection calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, was levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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 by the District prior to June 30. This year, the June 2005, tangible personal property tax settlement was not received until July 2005.

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, 2005, are available to finance fiscal year 2005 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 2005 taxes are based are as follows:

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$41,280,880	72%	\$42,390,200	73%
Industrial/Commercial	6,425,420	11%	6,547,890	11%
Public Utility	2,451,890	4%	2,670,330	5%
Tangible Personal	7,547,570	13%	6,746,420	11%
Total Assessed Value	<u>\$57,705,760</u>	<u>100%</u>	<u>\$58,354,840</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$53.10		\$58.50	

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

8. 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 (the 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. 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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 14). 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.

9. DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$76,360, \$72,262 and \$41,497; 100 percent has been contributed for fiscal year.

B. State Teachers Retirement System

The School 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 stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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 and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$403,880, \$387,863 and \$264,987, respectively, equal to 100 percent of the required contributions for each year.

10. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 obligations 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 DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$68,723 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$4,034 to fund health care benefits, including the surcharge.

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 for the fiscal year ended June 30, 2004 (the latest information available), 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.

11. 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

12. 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 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, 2004	\$ 193,667	\$ 143,191	\$ 336,858
Current Year Set-aside Requirement	101,429	101,429	202,858
Qualifying Disbursements	(43,018)	(58,408)	(101,426)
Total	<u>\$ 252,078</u>	<u>\$ 186,212</u>	<u>\$ 438,290</u>
Balance Carried Forward to FY 2006	<u>\$ 252,078</u>	<u>\$ 186,212</u>	<u>\$ 438,290</u>
Total Restricted Cash Assets	<u>\$ 86,661</u>	<u>\$ -</u>	<u>\$ 86,661</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.

13. 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.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. 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.

14. 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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

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 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 (the 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.

15. 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.

16. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005
(Continued)**

17. INTERFUND BALANCES

A. Interfund Advances

The General Fund advanced \$45,000 during 2005 to the Food Service Fund. This advance was not repaid at June 30, 2005. In addition, an advance of \$1,500 made to the District Managed Activity Fund in 2003 was repaid to the General Fund in 2005.

B. Interfund Transfers

Transfers between funds during the year ended June 30, 2005 were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General		\$18,666
Bond Retirement	\$18,666	
Total	<u>\$18,666</u>	<u>\$18,666</u>

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**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, 2005, 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 objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

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

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 2005-001 through 2005-003. 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.



Betty Montgomery
Auditor of State

January 4, 2006

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2005

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

FINDING NUMBER 2005-001

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 2005-002

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, 2005, \$252,078 for the textbook and instructional materials fund and \$186,212 for capital and maintenance fund had not been used 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, 2005, was \$86,661. 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.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Revised Code § 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Additionally, **Ohio Revised Code § 5705.39**, states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures as certified by the budget commission or in case of appeal, by the board of tax appeals.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds:

	<u>Actual Resources</u>	<u>Estimated Resources</u>	<u>Total Appropriations</u>
General Fund	\$ 5,071,914	\$ 5,413,620	\$ 5,329,998
District Managed Activities Fund	88,653	124,527	111,150
Ohio Reads Grant Fund	14,106	15,779	15,779
Summer Intervention Grant Fund	12,812	13,697	13,697
Title I Grant Fund	103,881	112,554	109,388
Improve Teacher Quality Grant Fund	29,684	36,547	35,883
Food Service Fund	201,755	279,211	278,575

The Treasurer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations.

We recommend that Treasurer compare actual revenues with estimated revenues during the year and make changes when necessary.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Administrative Code § 117-2-03(B) – Not reporting on GAAP.	No	Not Corrected. Reissued as finding 2005-001. The District believes reporting on a basis of accounting other than GAAP is more cost efficient.
2004-002	Ohio Revised Code §§ 3315.17(A) and 3315.18(A) – Unused monies designated for textbooks and instructional materials and capital acquisition and maintenance were not carried forward to the next year.	No	Not Corrected. Reissued as finding 2005-002.



**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**