

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2013**

**PLATTENBURG**  
Certified Public Accountants





# Dave Yost • Auditor of State

Board of Education  
Milford Exempted School District  
777 Garfield Avenue  
Milford, Ohio 45150

We have reviewed the *Independent Auditor's Report* of the Milford Exempted School District, Clermont County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Milford Exempted School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 19, 2013

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Milford Exempted Village School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Exempted Village School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and pages 50–52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
November 8, 2013

**Milford Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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The discussion and analysis of Milford Exempted Village School District's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- Net position of governmental activities decreased \$529,524 which represents a 1% decrease from 2012.
- General revenues accounted for \$58,924,776 in revenue or 83.9% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,291,888 or 16.1% of total revenues of \$70,216,664.
- Business-type operations reflected an operating loss of \$388,669.
- The District had \$69,125,260 in expenses related to governmental activities; \$9,671,928 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$58,923,808 were also used to provide for these programs.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 nonmajor funds presented in total in one column.

**Government-Wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2013?" The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Milford Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. Food service provided for other local districts and schools is reported as business activities.

**Fund Financial Statements**

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The General Fund, Debt Service Fund and Food Service Provided for Other Districts Fund are the major funds of the District.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.



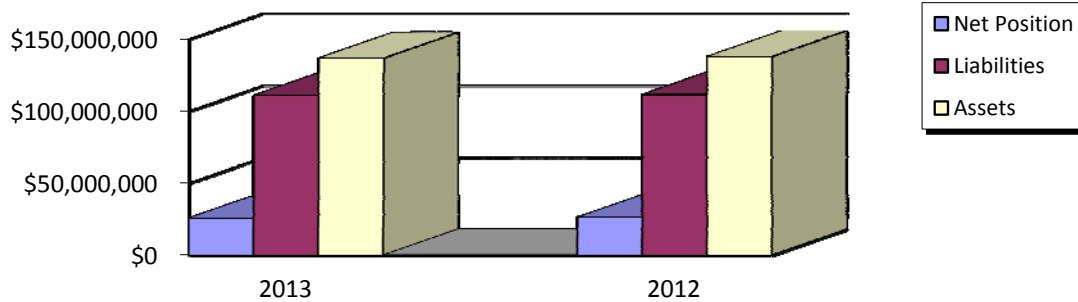
**Milford Exempted Village School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District’s net position for 2013 compared to 2012:

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current and Other Assets	\$61,662,591	\$60,663,119	\$194,000	\$0	\$61,856,591	\$60,663,119
Capital Assets	75,090,065	77,188,831	0	0	75,090,065	77,188,831
<b>Total Assets</b>	<b>136,752,656</b>	<b>137,851,950</b>	<b>194,000</b>	<b>0</b>	<b>136,946,656</b>	<b>137,851,950</b>
<b>Liabilities:</b>						
Other Liabilities	39,599,070	39,087,060	95,666	0	39,694,736	39,087,060
Long-Term Liabilities	71,353,243	72,435,023	0	0	71,353,243	72,435,023
<b>Total Liabilities</b>	<b>110,952,313</b>	<b>111,522,083</b>	<b>95,666</b>	<b>0</b>	<b>111,047,979</b>	<b>111,522,083</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	7,398,971	8,053,340	0	0	7,398,971	8,053,340
Restricted	6,407,750	6,612,099	0	0	6,407,750	6,612,099
Unrestricted	11,993,622	11,664,428	98,334	0	12,091,956	11,664,428
<b>Total Net Position</b>	<b>\$25,800,343</b>	<b>\$26,329,867</b>	<b>\$98,334</b>	<b>\$0</b>	<b>\$25,898,677</b>	<b>\$26,329,867</b>



Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2013, the District’s assets exceeded liabilities by \$25,800,343.

At year-end, capital assets represented 55% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2013, were \$7,398,971. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$6,407,750 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

**Milford Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

Current and other assets increased from the prior year mainly because the District had an increase in taxes receivable at year-end compared to 2012. Capital assets decreased in 2013 as compared to 2012 mainly due to depreciation exceeding acquisitions in 2013. Total liabilities decreased from fiscal year 2012 to 2013 because of regularly scheduled debt payments.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for Services	\$4,688,197	\$5,287,015	\$1,132,957	\$0	\$5,821,154	\$5,287,015
Operating Grants, Contributions	4,983,731	5,990,871	487,003	0	5,470,734	5,990,871
General Revenues:						
Property Taxes	35,612,609	33,995,668	0	0	35,612,609	33,995,668
Grants and Entitlements	19,984,094	21,317,959	0	0	19,984,094	21,317,959
Other	3,327,105	2,742,160	968	0	3,328,073	2,742,160
Total Revenues	<u>68,595,736</u>	<u>69,333,673</u>	<u>1,620,928</u>	<u>0</u>	<u>70,216,664</u>	<u>69,333,673</u>
Program Expenses:						
Instruction	37,897,407	37,714,887	0	0	37,897,407	37,714,887
Support Services:						
Pupil and Instructional Staff	6,503,849	6,639,754	0	0	6,503,849	6,639,754
School Administrative, General						
Administration, Fiscal and Business	5,142,369	4,969,683	0	0	5,142,369	4,969,683
Operations and Maintenance	4,526,271	4,755,625	0	0	4,526,271	4,755,625
Pupil Transportation	5,682,062	5,394,992	0	0	5,682,062	5,394,992
Central	916,097	1,026,941	0	0	916,097	1,026,941
Operation of Non-Instructional Services	3,984,807	4,587,700	0	0	3,984,807	4,587,700
Extracurricular Activities	1,151,177	1,156,531	0	0	1,151,177	1,156,531
Interest and Fiscal Charges	3,321,221	3,297,751	0	0	3,321,221	3,297,751
Food Service	0	0	1,522,594	0	1,522,594	0
Total Program Expenses	<u>69,125,260</u>	<u>69,543,864</u>	<u>1,522,594</u>	<u>0</u>	<u>70,647,854</u>	<u>69,543,864</u>
Change in Net Position	(529,524)	(210,191)	98,334	0	(431,190)	(210,191)
Net Position - Beginning of Year	<u>26,329,867</u>	<u>26,540,058</u>	<u>0</u>	<u>0</u>	<u>26,329,867</u>	<u>26,540,058</u>
Net Position - End of Year	<u>\$25,800,343</u>	<u>\$26,329,867</u>	<u>\$98,334</u>	<u>\$0</u>	<u>\$25,898,677</u>	<u>\$26,329,867</u>

The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes and grants and entitlements comprised 81% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

**Milford Exempted Village School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

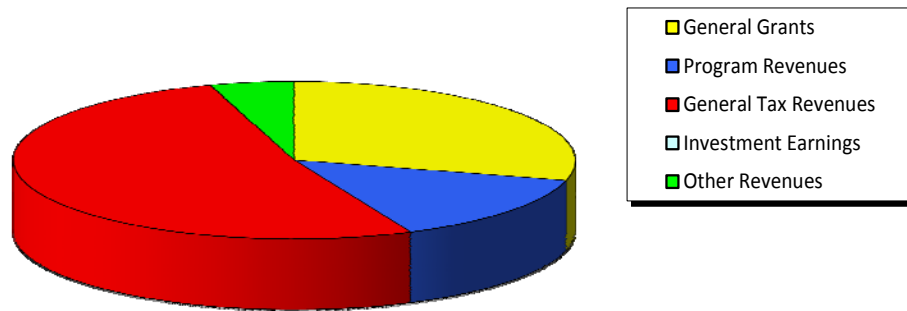
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Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 52% of revenue for governmental activities for the District in fiscal year 2013.

**Governmental Activities  
Revenue Sources**

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<u>Revenue Sources</u>	<u>2013</u>	<u>Percentage</u>
General Grants	\$19,984,094	29.13%
Program Revenues	9,671,928	14.10%
General Tax Revenues	35,612,609	51.92%
Investment Earnings	30,837	0.04%
Other Revenues	3,296,268	4.81%
Total Revenue Sources	<u>\$68,595,736</u>	<u>100.00%</u>



Instruction comprises 55% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 12% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants decreased mainly due to a decrease in grant monies received in fiscal year 2013 as compared to fiscal year 2012. Instruction expense remained relatively consistent from 2012 to 2013.

**Milford Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$37,897,407	\$37,714,887	(\$32,695,023)	(\$31,915,355)
Support Services:				
Pupil and Instructional Staff	6,503,849	6,639,754	(5,659,104)	(5,722,636)
School Administrative, General				
Administration, Fiscal and Business	5,142,369	4,969,683	(5,045,233)	(4,888,635)
Operations and Maintenance	4,526,271	4,755,625	(4,203,748)	(4,510,668)
Pupil Transportation	5,682,062	5,394,992	(5,484,434)	(5,069,697)
Central	916,097	1,026,941	(901,697)	(1,012,541)
Operation of Non-Instructional Services	3,984,807	4,587,700	(1,349,359)	(1,042,757)
Extracurricular Activities	1,151,177	1,156,531	(793,513)	(805,938)
Interest and Fiscal Charges	3,321,221	3,297,751	(3,321,221)	(3,297,751)
Total Expenses	<u>\$69,125,260</u>	<u>\$69,543,864</u>	<u>(\$59,453,332)</u>	<u>(\$58,265,978)</u>

**The District's Funds**

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the General Fund comprised \$50,885,360 (84%) and the Debt Service Fund comprised \$6,338,179 (10%) of the total \$60,761,931 governmental funds assets.

**General Fund:** Fund balance at June 30, 2013 was \$14,073,838, an increase in fund balance of \$680,575 from 2012. The increase in fund balance was mainly due to an increase in revenue in tuition and fees and taxes revenue.

**Debt Service Fund:** Fund balance at June 30, 2013 was \$3,115,583, a decrease in fund balance of \$63,492 from 2012. The decrease in fund balance was due mainly to an increase in principal and interest expense.

**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.

The District amended its general fund budget throughout the fiscal year. The District revised the Budget to deal with minor changes in expenditures.

**Milford Exempted Village School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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For the General Fund, original estimated revenue was \$55,607,251. The final estimated revenue was \$55,697,136.

The District’s ending unobligated cash balance was \$3,715,436 greater than the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2013, the District had \$75,090,065 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2013 balances compared to fiscal 2012:

**Table 4  
Capital Assets at Year End  
(Net of Depreciation)**

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	Governmental Activities	
	2013	2012
Land	\$4,938,233	\$4,938,233
Buildings and Improvements	69,149,505	71,415,502
Equipment	1,002,327	835,096
Total Net Capital Assets	<u>\$75,090,065</u>	<u>\$77,188,831</u>

The decrease in capital assets is due to depreciation exceeding additions in 2013.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

***Debt***

At June 30, 2013, the District had \$69,261,543 in bonds payable, \$1,352,734 due within one year. Table 5 summarizes outstanding debt at year end.

**Milford Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

**Table 5  
Outstanding Debt at Year End**

	Governmental Activities	
	2013	2012
Bonds Payable:		
Energy Conservation Loan - 1999	\$153,734	\$300,229
Refunded General Obligation Bonds: Current Interest - 2006	6,640,000	6,690,000
Refunded General Obligation Bonds: Capital Appreciation - Principal	410,000	410,000
Refunded General Obligation Bonds: Capital Appreciation - Interest	1,211,577	939,941
Refunded General Obligation Bonds - 2007	22,515,000	22,515,000
Long Term Notes	1,781,000	1,842,000
2008 School Improvement Bonds: Current Interest	30,620,000	30,810,000
2008 School Improvement Bonds: Capital Appreciation - Principal	285,000	285,000
2008 School Improvement Bonds: Capital Appreciation - Interest	358,872	257,569
Premium on Bonds	3,416,725	3,598,871
Refunded General Obligation Bonds: Current Interest - 2012	1,840,000	2,635,000
Premium on Refunding Bonds	47,069	78,448
Deferred Charge on Refunding Bonds	(17,434)	(29,057)
Total Long Term Debt	<u>\$69,261,543</u>	<u>\$70,333,001</u>

See Note 7 to the basic financial statements for further details on the District's long-term obligations.

**For the Future**

A challenge facing the District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In July 2009, Ohio's Governor signed HB1, the state biennium budget bill. Included in the bill was a complete overhaul of the school funding model for all school districts in Ohio. The Ohio Evidence-Based Model (OEBM) replaced the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. Due to the economic crisis the OEBM was going to be phased in. Fiscal Years 2010 and 2011 were funded using the partially phased in OEBM.

In June, 2011, Ohio's Governor signed HB153, the state biennium budget bill for 2012 and 2013. Language included in HB153 eliminated the OEBM funding model. In June 2013, Ohio's Governor signed HB59, the state biennium budget bill for 2014 and 2015. A new funding model was introduced. Simulations received from the state indicate the District will continue to be guaranteed funding amounts that were received in the previous biennium with no increase in funding.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**Milford Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)**

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All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie Caudle, Treasurer at Milford Exempted Village School District, 777 Garfield Avenue, Milford, Ohio 45150.

Milford Exempted Village School District  
Statement of Net Position  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$20,822,528	\$194,000	\$21,016,528
Restricted Cash and Investments	10,051	0	10,051
<b>Receivables:</b>			
Taxes	37,079,923	0	37,079,923
Accounts	133,697	0	133,697
Interest	1,963	0	1,963
Intergovernmental	2,571,328	0	2,571,328
Deferred Bond Issuance Costs	900,660	0	900,660
Inventory	142,441	0	142,441
Nondepreciable Capital Assets	4,938,233	0	4,938,233
Depreciable Capital Assets, Net	70,151,832	0	70,151,832
<b>Total Assets</b>	<b>136,752,656</b>	<b>194,000</b>	<b>136,946,656</b>
<b>Liabilities:</b>			
Accounts Payable	208,700	71	208,771
Accrued Wages and Benefits	5,949,171	95,595	6,044,766
Accrued Interest Payable	254,384	0	254,384
Unearned Revenue	33,186,815	0	33,186,815
<b>Long-Term Liabilities:</b>			
Due Within One Year	2,062,640	0	2,062,640
Due In More Than One Year	69,290,603	0	69,290,603
<b>Total Liabilities</b>	<b>110,952,313</b>	<b>95,666</b>	<b>111,047,979</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	7,398,971	0	7,398,971
<b>Restricted for:</b>			
Other Purposes	108,269	0	108,269
Debt Service	3,854,247	0	3,854,247
Capital Projects	1,581,901	0	1,581,901
Food Service	160,954	0	160,954
Athletic	194,202	0	194,202
State Grants	13,239	0	13,239
Federal Grants	339,378	0	339,378
Permanent Endowment Nonexpendable	12,072	0	12,072
Permanent Endowment Expendable	143,488	0	143,488
Unrestricted	11,993,622	98,334	12,091,956
<b>Total Net Position</b>	<b>\$25,800,343</b>	<b>\$98,334</b>	<b>\$25,898,677</b>

See accompanying notes to the basic financial statements.



Milford Exempted Village School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
<b>Instruction:</b>			
Regular	\$28,531,809	\$2,803,713	\$420,920
Special	7,985,136	71,102	1,411,011
Vocational	1,140,641	0	28,631
Other	239,821	0	467,007
<b>Support Services:</b>			
Pupil	2,988,044	0	790,886
Instructional Staff	3,515,805	0	53,859
General Administration	55,769	0	0
School Administration	3,246,437	0	97,136
Fiscal	1,485,730	0	0
Business	354,433	0	0
Operations and Maintenance	4,526,271	263,589	58,934
Pupil Transportation	5,682,062	0	197,628
Central	916,097	0	14,400
Operation of Non-Instructional Services	3,984,807	1,192,129	1,443,319
Extracurricular Activities	1,151,177	357,664	0
Interest and Fiscal Charges	3,321,221	0	0
<b>Total Governmental Activities</b>	<b>\$69,125,260</b>	<b>\$4,688,197</b>	<b>\$4,983,731</b>
<b>Business-Type Activities:</b>			
Food Service	1,522,594	1,132,957	487,003
<b>Total Business-Type Activities</b>	<b>1,522,594</b>	<b>1,132,957</b>	<b>487,003</b>
<b>Totals</b>	<b>\$70,647,854</b>	<b>\$5,821,154</b>	<b>\$5,470,734</b>

General Revenues:  
Property Taxes Levied for:  
General Purposes  
Debt Service Purposes  
Capital Projects Purposes  
Grants and Entitlements not Restricted to Specific Program  
Unrestricted Payment in Lieu of Taxes  
Unrestricted Contributions  
Investment Earnings  
Other Revenues

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$25,307,176)	\$0	(\$25,307,176)
(6,503,023)	0	(6,503,023)
(1,112,010)	0	(1,112,010)
227,186	0	227,186
(2,197,158)	0	(2,197,158)
(3,461,946)	0	(3,461,946)
(55,769)	0	(55,769)
(3,149,301)	0	(3,149,301)
(1,485,730)	0	(1,485,730)
(354,433)	0	(354,433)
(4,203,748)	0	(4,203,748)
(5,484,434)	0	(5,484,434)
(901,697)	0	(901,697)
(1,349,359)	0	(1,349,359)
(793,513)	0	(793,513)
(3,321,221)	0	(3,321,221)
(59,453,332)	0	(59,453,332)
0	97,366	97,366
0	97,366	97,366
(\$59,453,332)	\$97,366	(\$59,355,966)
31,962,969	0	31,962,969
3,264,706	0	3,264,706
384,934	0	384,934
19,984,094	0	19,984,094
2,072,239	0	2,072,239
564,625	0	564,625
30,837	0	30,837
659,404	968	660,372
58,923,808	968	58,924,776
(529,524)	98,334	(431,190)
26,329,867	0	26,329,867
\$25,800,343	\$98,334	\$25,898,677

Milford Exempted Village School District  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$15,630,935	\$2,656,383	\$2,535,210	\$20,822,528
Restricted Cash and Investments	0	0	10,051	10,051
<b>Receivables:</b>				
Taxes	32,993,534	3,681,796	404,593	37,079,923
Accounts	129,436	0	4,261	133,697
Interest	1,516	0	447	1,963
Intergovernmental	2,035,853	0	535,475	2,571,328
Inventory	94,086	0	48,355	142,441
<b>Total Assets</b>	<b>50,885,360</b>	<b>6,338,179</b>	<b>3,538,392</b>	<b>60,761,931</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	148,660	0	60,040	208,700
Accrued Wages and Benefits	5,479,286	0	469,885	5,949,171
Compensated Absences	563,209	0	0	563,209
Deferred Revenue	30,620,367	3,222,596	601,288	34,444,251
<b>Total Liabilities</b>	<b>36,811,522</b>	<b>3,222,596</b>	<b>1,131,213</b>	<b>41,165,331</b>
<b>Fund Balances:</b>				
Nonspendable	94,086	0	60,427	154,513
Restricted	0	3,115,583	2,221,329	5,336,912
Assigned	5,188,839	0	143,488	5,332,327
Unassigned	8,790,913	0	(18,065)	8,772,848
<b>Total Fund Balances</b>	<b>14,073,838</b>	<b>3,115,583</b>	<b>2,407,179</b>	<b>19,596,600</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$50,885,360</b>	<b>\$6,338,179</b>	<b>\$3,538,392</b>	<b>\$60,761,931</b>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2013

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Total Governmental Fund Balance \$19,596,600

Amounts reported for governmental activities in the  
 statement of net position are different because:

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 75,090,065

Other long-term assets are not available to pay for current-  
 period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	1,009,861	
Interest	491	
Intergovernmental	247,084	
		1,257,436

In the statement of net position interest payable is accrued when  
 incurred, whereas in the governmental funds interest is  
 reported as a liability only when it will require the use of  
 current financial resources. (254,384)

Some liabilities reported in the statement of net position do not  
 require the use of current financial resources and therefore  
 are not reported as liabilities in governmental funds.

Compensated Absences		(1,528,491)
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Deferred bond issuance cost associated with long-term liabilities  
 are not reported in the funds. 900,660

Long-term liabilities, are not due and payable in the current  
 period and therefore are not reported in the funds. (69,261,543)

Net Position of Governmental Activities \$25,800,343

See accompanying notes to the basic financial statements.

Milford Exempted Village School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$32,039,846	\$3,540,856	\$389,120	\$35,969,822
Revenue in lieu of taxes	2,041,499	0	0	2,041,499
Tuition and Fees	2,874,815	0	0	2,874,815
Investment Earnings	24,333	0	6,320	30,653
Intergovernmental	21,479,774	488,487	3,809,787	25,778,048
Extracurricular Activities	174,355	0	178,614	352,969
Charges for Services	179,172	0	1,281,241	1,460,413
Other Revenues	457,985	0	171,778	629,763
Total Revenues	59,271,779	4,029,343	5,836,860	69,137,982
Expenditures:				
Current:				
Instruction:				
Regular	26,992,064	0	356,613	27,348,677
Special	7,287,490	0	346,050	7,633,540
Vocational	345,485	0	0	345,485
Other	61,355	0	195,888	257,243
Support Services:				
Pupil	2,166,666	0	812,666	2,979,332
Instructional Staff	3,553,664	0	116,904	3,670,568
General Administration	55,769	0	0	55,769
School Administration	3,109,860	0	77,996	3,187,856
Fiscal	1,418,457	61,673	6,764	1,486,894
Business	338,475	0	0	338,475
Operations and Maintenance	4,357,900	0	187,488	4,545,388
Pupil Transportation	5,675,234	0	0	5,675,234
Central	968,177	0	13,475	981,652
Operation of Non-Instructional Services	1,156,216	0	2,797,486	3,953,702
Extracurricular Activities	944,598	0	199,443	1,144,041
Capital Outlay	0	0	308,035	308,035
Debt Service:				
Principal Retirement	146,495	1,035,000	61,000	1,242,495
Interest and Fiscal Charges	13,299	2,996,162	83,201	3,092,662
Total Expenditures	58,591,204	4,092,835	5,563,009	68,247,048
Net Change in Fund Balance	680,575	(63,492)	273,851	890,934
Fund Balance - Beginning of Year	13,393,263	3,179,075	2,133,328	18,705,666
Fund Balance - End of Year	\$14,073,838	\$3,115,583	\$2,407,179	\$19,596,600

See accompanying notes to the basic financial statements.

Milford Exempted Village School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Funds \$890,934

Amounts reported for governmental activities in the  
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	452,592	
Depreciation Expense	<u>(2,551,358)</u>	(2,098,766)

Revenues in the statement of activities that do not provide  
 current financial resources are not reported as revenues in  
 the funds.

Delinquent Property Taxes	(357,213)	
Interest	184	
Intergovernmental	<u>(185,217)</u>	(542,246)

Repayment of bond and capital lease principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net position. 1,242,495

Interest expense in the statement of activities differs from the amount  
 reported in governmental funds for two reasons. Additional accrued  
 interest was calculated for bonds and notes payable, and the difference  
 arising from the advance refunding due to premium and bond issuance  
 costs.

Accrued Interest		5,880
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Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences	206,618	
Amortization of Bond Issuance Cost	(63,402)	
Amortization of Bond Premium	213,525	
Amortization of Deferred Charge on Refunding	(11,623)	
Bond Accretion	<u>(372,939)</u>	(27,821)

Change in Net Position of Governmental Activities (\$529,524)

See accompanying notes to the basic financial statements.

Milford Exempted Village School District  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

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<u>Business-Type Activities - Enterprise Fund</u>	<u>Food Service Provided for Other Districts</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$194,000</u>
Total Assets	<u>194,000</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	71
Accrued Wages and Benefits	<u>95,595</u>
Total Current Liabilities	<u>95,666</u>
Net Position:	
Unrestricted	<u>98,334</u>
Total Net Position	<u>\$98,334</u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013

Business-Type Activities - Enterprise Fund

	Food Service Provided for Other Districts
Operating Revenues:	
Sales	\$1,132,957
Other Revenues	<u>968</u>
Total Operating Revenues	<u>1,133,925</u>
Operating Expenses:	
Personal Services	605,794
Contactual Services	130,259
Materials and Supplies	639,926
Other Expenses	<u>146,615</u>
Total Operating Expenses	<u>1,522,594</u>
Operating Income (Loss)	<u>(388,669)</u>
Non-Operating Revenues (Expenses):	
Operating Grants	<u>487,003</u>
Total Non-Operating Revenues (Expenses)	<u>487,003</u>
Change in Net Position	98,334
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u><u>\$98,334</u></u>

See accompanying notes to the basic financial statements.



Milford Exempted Village School District  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013

Business-Type Activities - Enterprise Fund

	<u>Food Service Provided for Other Districts</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,133,925
Cash Payments to Employees	(510,199)
Cash Payments to Suppliers	<u>(916,729)</u>
Net Cash Provided (Used) by Operating Activities	<u>(293,003)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	<u>487,003</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>487,003</u>
Net Increase (Decrease) in Cash and Cash Equivalents	194,000
Cash and Cash Equivalents Beginning of Year	<u>0</u>
Cash and Cash Equivalents End of Year	<u><u>194,000</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(388,669)
Changes in Assets & Liabilities:	
Increase (Decrease) in Payables	71
Increase (Decrease) in Accrued Liabilities	<u>95,595</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$293,003)</u></u>

See accompanying notes to the basic financial statements.

Milford Exempted Village School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2013

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$77,731</u>
Total Assets	<u>77,731</u>
Liabilities:	
Other Liabilities	<u>77,731</u>
Total Liabilities	<u>\$77,731</u>

See accompanying notes to the basic financial statements.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 1 - Description of the District**

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Milford Exempted Village 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 operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the District's nine instructional support facilities staffed by approximately 322 non-certificated, 396 teaching personnel and 26 administrative employees providing education to approximately 6,625 students.

**Reporting Entity**

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the 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 Milford Exempted Village School District, this includes general operations, food service, latchkey, and student related activities of the District. The following activities are included within the reporting entity:

*Parochial School Funding* - Within the District boundaries, St. Andrew and St. Elizabeth Ann Seton Schools are operated through the Cincinnati Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of these State monies by the District are reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if (1) the District appoints a voting majority of the organization's governing board and (2) the District is able to significantly influence the programs or services performed or provided by the organization; or (3) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The City of Milford, PTA's, Athletic Boosters, Band Boosters, Choral Boosters, Academic Booster, After Prom, and the Parent Teacher Organizations, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District. The District is associated with three organizations of which two are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association (H/CCA), Great Oaks Institute of Technology and Career Development and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 2 - Summary of Significant Accounting Policies**

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The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

**Measurement Focus**

**Government-wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in the entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Debt Service – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major enterprise fund:

Food Service Provided for Other Districts – This fund accounts for operation of food service for a fee to students of other school districts.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District maintains two fiduciary (agency) funds, known as the Student Managed Activity Fund and Unclaimed Monies Fund. The Student Managed Activity Fund was established to account

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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for assets and liabilities generated by student managed activities and the Unclaimed Monies Fund was established to account for monies owed to others but not paid.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2013 amounted to \$30,653. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$24,333.

For purposes of the statement of cash flows, the Enterprise Funds’ portion of equity in pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements that add to the value of an asset or materially extend an asset's life are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Equipment	5

**Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include retainage and the nonexpendable amount relating to the permanent endowment fund.

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified employees after 10 years of service, certified employees after 20 years and administrators after 25 years of service.



**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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The entire compensated absence liability is reported on the government-wide and proprietary fund financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 230 days for teachers and 300 for administrators, and 230 days for classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 57.5 days for teachers and 150 for administrators. Classified personnel, upon retirement, are paid for one-fourth of accrued, but unused sick leave credit to a maximum of 57.5 days.

**Net Position**

Net position represents the difference between assets and deferred inflows of resources, and liabilities and deferred outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position 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.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's restricted net position of \$6,407,750, none was restricted by enabling legislation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
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Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**Interfund Activity**

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Estimates**

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

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 3 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by federal depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2013, \$19,756,308 of the District's bank balance of \$20,256,308 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Investments**

As of June 30, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$14,216	0.00
Federal Farm Credit Bank	24,999	0.99
Federal Home Loan Bank	430,117	1.23
Freddie Mac - Discount Note	324,996	0.06
Fannie Mae - Discount Note	124,990	0.20
Federal Home Loan Mortgage Corp	350,350	0.70
Federal National Mortgage Association	434,345	1.41
Treasury Bills	79,903	1.41
	<u>\$1,783,916</u>	
Portfolio Weighted Average Maturity		0.88

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments, which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corp., Federal National Mortgage Association, Freddie Mac – Discount Note, Fannie Mae – Discount Note, and Treasury Bills were rated AA+ by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Money Markets were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. 1% of investments at June 30, 2013 were in Money Markets, 24% in Federal Home Loan Bank. 1% in Federal Farm Credit Bank, 20% in Federal Home Loan Mortgage Corp., 25% in Federal National Mortgage Association, 18% in Freddie Mac – Discount Note, 7% in Fannie Mae – Discount Note, and 4% in Treasury Bills.

Custodial Credit Risk – The risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District. The District’s policy does not address custodial credit risk for investments.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 4 - Property Taxes**

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Real property taxes collected in 2013 were levied in April on the assessed values as of January 1, 2012, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax revenue received during calendar year 2013 (other than public utility property tax) represents the collection of 2013 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after April 1, 2012, on the value as of December 31, 2012. 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 School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20<sup>th</sup>. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20<sup>th</sup> with the remainder due on June 20<sup>th</sup>.

The Clermont and Hamilton County Auditors remit portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2013 and for which there is an enforceable legal claim. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2013, was \$4,409,400 for General Fund, \$459,200 for Debt Service Fund and \$50,500 for Other Governmental Funds, and is recognized as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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The assessed values upon which the fiscal year 2013 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$847,807,390
Public Utility	<u>25,311,330</u>
Total	<u><u>\$873,118,720</u></u>

**Note 5 – Receivables**

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Receivables at June 30, 2013, consisted of taxes, accounts (rent, tuition, and student fees) interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 6 - Capital Assets**

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Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$4,938,233	\$0	\$0	\$4,938,233
Total Capital Assets, not being depreciated	4,938,233	0	0	4,938,233
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	95,436,211	0	0	95,436,211
Equipment	3,878,784	452,592	97,632	4,233,744
<b><i>Total Capital Assets, being depreciated:</i></b>	<u>99,314,995</u>	<u>452,592</u>	<u>97,632</u>	<u>99,669,955</u>
Totals at Historical Cost	<u>104,253,228</u>	<u>452,592</u>	<u>97,632</u>	<u>104,608,188</u>
Less Accumulated Depreciation:				
Buildings and Improvements	24,020,709	2,265,997	0	26,286,706
Equipment	3,043,688	285,361	97,632	3,231,417
Total Accumulated Depreciation	<u>27,064,397</u>	<u>2,551,358</u>	<u>97,632</u>	<u>29,518,123</u>
Governmental Activities Capital Assets, Net	<u><u>\$77,188,831</u></u>	<u><u>(\$2,098,766)</u></u>	<u><u>\$0</u></u>	<u><u>\$75,090,065</u></u>

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,264,601
Special	290,105
Vocational	794,915
Support Services:	
Pupil	13,895
School Administration	45,081
Fiscal	2,382
Business	14,619
Operations and Maintenance	58,935
Pupil Transportation	6,828
Central	5,797
Operation of Non-Instructional Services	50,418
Extracurricular Activities	3,782
Total Depreciation Expense	<u><u>\$2,551,358</u></u>

**Note 7 - Long-Term Liabilities**

	Rate	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
<b>Governmental Activities:</b>						
Loan, Bonds & Notes:						
1999 Energy Conservation Loan	5.07%	\$300,229	\$0	(\$146,495)	\$153,734	\$153,734
2006 Refunded General Obligation Bonds:						
Current Interest	3.00%	6,690,000	0	(50,000)	6,640,000	50,000
Capital Appreciation - Principal	4.00%	410,000	0	0	410,000	0
Capital Appreciation - Interest		939,941	271,636	0	1,211,577	0
2007 Refunded General Obligation Bonds		22,515,000		0	22,515,000	0
Long Term Notes		1,842,000	0	(61,000)	1,781,000	64,000
2008 School Improvement:						
Current Interest	3.50%	30,810,000	0	(190,000)	30,620,000	210,000
Capital Appreciation - Principal		285,000	0	0	285,000	0
Capital Appreciation - Interest		257,569	101,303	0	358,872	0
Premium on Bonds		3,598,871	0	(182,146)	3,416,725	0
2012 Refunded General Obligation Bonds:						
Current Interest	3.00%	2,635,000	0	(795,000)	1,840,000	875,000
Capital Appreciation - Principal		78,448	0	(31,379)	47,069	0
Capital Appreciation - Interest		(29,057)	0	11,623	(17,434)	0
Total Loan, General Obligation Bonds & Notes		70,333,001	372,939	(1,444,397)	69,261,543	1,352,734
Compensated Absences		2,102,022	505,362	(515,684)	2,091,700	709,906
Total Governmental Activities		<u><u>\$72,435,023</u></u>	<u><u>\$878,301</u></u>	<u><u>(\$1,960,081)</u></u>	<u><u>\$71,353,243</u></u>	<u><u>\$2,062,640</u></u>



**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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*Energy Conservation Loan* - On January 21, 2000, the District issued \$1,664,495 in an energy conservation loan for the purpose of installations, modifications of installations, or remodeling that would significantly reduce energy consumption in buildings owned by the District. The loan was issued for a fifteen year period with final maturity at December 1, 2013. The loan will be retired from the General Fund.

*General Obligation Bonds* - On December 1, 2001 the District issued \$43,566,000 in general obligation bonds for the purpose of constructing three new school buildings and related land purchases. The bonds were issued for a twenty-nine year period with a final maturity of December 1, 2030. The bonds will be retired from the Debt Service Fund.

*Refunding General Obligation Bonds* - During fiscal year 2006, the District issued \$9,700,000 of general obligation bonds for the current refunding of \$9,700,000 of the 2001 series bonds. The \$1,410,164 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 26 years. The refunding was undertaken to take advantage of lower interest rates. The refunding bonds are retired through the Debt Service Fund using taxes revenues.

*Refunding General Obligation Bonds* - During fiscal year 2007, the District issued \$25,110,000 of general obligations bonds for the current refunding of \$25,110,000 of the 2001 series bonds. The \$2,247,367 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of the new debt, which has a remaining life of 25 years. The refunding was undertaken to take advantage of lower interest rates. The refunding bonds are retired through the Debt Service Fund using taxes revenues.

*Long Term Notes* - On November 17, 2005 the District authorized a \$1,550,000 financing through the OASBO Expanded Asset Pooled Financing Program for the purposes of renovating the bus garage facility. As of June 30, 2007 the District had drawn \$2,092,000 of the maximum financing amount. The note will be repaid over a twenty-five year period with a final maturity of January 1, 2031. The note will be repaid from the Debt Service Fund.

*School Improvement General Obligation Bonds* - During fiscal year 2009, the District issued \$31,375,000 of general obligation bonds, \$4 million of which retired the bond anticipation note. The \$357,126 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 27 years. The refunding bonds are retired through the Debt Service Fund using tax revenues.

*Refunding General Obligation Bonds* - During fiscal year 2012, the District issued \$2,635,000 of general obligation bonds, which retired the 2001 general obligation bonds. The \$94,138 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 3 years. The refunding bonds are retired through the Debt Service Fund.

Compensated absences will be paid from the fund from which the person is paid.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Prior Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2013, \$4,025,000 of bonds outstanding are considered defeased.

Principal and interest requirements for governmental activities to retire bonds and notes outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30	Loan, Notes & Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$1,352,917	\$3,052,656	\$4,405,573	\$0	\$0	\$0
2015	1,317,000	3,010,083	4,327,083	0	0	0
2016	375,000	2,980,737	3,355,737	215,000	1,145,000	1,360,000
2017	382,000	2,965,177	3,347,177	195,000	1,250,000	1,445,000
2018	1,926,000	2,918,196	4,844,196	0	0	0
2019-2023	11,537,000	13,345,340	24,882,340	285,000	1,680,000	1,965,000
2024-2028	18,973,000	9,736,389	28,709,389	0	0	0
2029-2033	18,017,000	4,557,922	22,574,922	0	0	0
2034-2037	9,670,000	1,047,638	10,717,638	0	0	0
Total	<u>\$63,549,917</u>	<u>\$43,614,138</u>	<u>\$107,164,055</u>	<u>\$695,000</u>	<u>\$4,075,000</u>	<u>\$4,770,000</u>

**Note 8 - Pension Plan**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$1,374,480, \$1,240,104, and \$1,313,616, respectively; contributions equaled the required contributions for each year.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**State Teachers Retirement System of Ohio**

Plan Description

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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$3,746,052, \$3,636,564, and \$3,912,444, respectively; 82% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**Note 9- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. District contributions for the year ended June 30, 2013, 2012 and 2011 were \$72,651, \$67,320, and \$71,311, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$15,708, \$126,668, and \$134,176, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

### **State Teachers Retirement System of Ohio**

#### Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$267,575, \$259,754, and \$279,460, respectively; 82% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**Note 10 - Contingent Liabilities**

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**Grants**

The District receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 11 - Risk Management**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted with Acordia for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$137,093,204
Inland Marine Coverage (\$500 deductible)	included above
Boiler and Machinery	included above
Automobile Liability (\$250 Comprehensive & \$500 Collision deductible)	1,000,000
Uninsured Motorists	1,000,000
Employers' Liability (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence (\$1,000 deductible)	1,000,000
Aggregate	2,000,000

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

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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For fiscal year 2013, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Note 12 - Fund Balance Reserves For Set-Asides**

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	1,105,254
Qualified Disbursements	(630,984)
Current year Offsets	(474,270)
Set Aside Reserve Balance as of June 30, 2013	<u>\$0</u>
Restricted Cash as of June 30, 2013	<u>\$0</u>
Carried Forward to FY 2014	<u>\$0</u>



**Milford Exempted Village School District  
Notes to the Basic Financial Statements  
For The Fiscal Year Ended June 30, 2013**

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**Note 13 - Jointly Governed Organizations**

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Hamilton/Clermont Cooperative Association

The Milford Exempted Village School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from Dave Horine, Director, their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, 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 participating school district's elected board, which possesses its own budgeting and taxing authority. Great Oaks Institute of Technology and Career Development was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Milford Exempted Village School District. The District has no ongoing financial interest in nor responsibility for the Vocational School. Complete financial statements for Great Oaks Great Oaks Institute of Technology and Career Development can be obtained from the Chief Fiscal Officer, Robert Giuffre, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**Note 14 - Insurance Purchasing Pool**

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The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

The District participates in Southwest Ohio Organization of School Health (SWOOSH) an insurance purchasing pool. The objective of the SWOOSH consortium is to maximize benefits and / or reduce costs of medical, prescription drug, vision, dental, life and / or other group insurance coverages. While the consortium serves short term savings needs, in the long term it will promote rate stability and allow the districts to move to a healthier place using wellness. SWOOSH is a health and wellness consortium for school districts and government agencies that come together to provide stability and quality access to health care and benefits to all eligible members. SWOOSH will do this by leveraging economies of scale, commonality of choices and driving wellness and health management by collaborative efforts of all participating agencies.

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

**Note 15 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Inventory	\$94,086	\$0	\$48,355	\$142,441
Permanent	0	0	12,072	12,072
<b>Total Nonspendable</b>	<b>94,086</b>	<b>0</b>	<b>60,427</b>	<b>154,513</b>
<b>Restricted for:</b>				
Other Grants	0	0	47,280	47,280
Athletic	0	0	194,202	194,202
Auxiliary Services	0	0	27,244	27,244
Management Information Systems	0	0	14	14
Data Communications	0	0	925	925
Title VI-B	0	0	89,739	89,739
Race to the Top	0	0	5,450	5,450
Title III	0	0	3,570	3,570
Reducing Class Size	0	0	742	742
Special Trust	0	0	60,989	60,989
Food Service	0	0	219,426	219,426
Debt Service	0	3,115,583	0	3,115,583
Permanent Improvement	0	0	1,571,748	1,571,748
<b>Total Restricted</b>	<b>0</b>	<b>3,115,583</b>	<b>2,221,329</b>	<b>5,336,912</b>
<b>Assigned to:</b>				
Encumbrances	222,852	0	0	222,852
Budgetary Resource	4,842,429	0	0	4,842,429
Permanent	0	0	143,488	143,488
Public Schools	123,558	0	0	123,558
<b>Total Assigned</b>	<b>5,188,839</b>	<b>0</b>	<b>143,488</b>	<b>5,332,327</b>
<b>Unassigned (Deficit)</b>	<b>8,790,913</b>	<b>0</b>	<b>(18,065)</b>	<b>8,772,848</b>
<b>Total Fund Balance</b>	<b>\$14,073,838</b>	<b>3,115,583</b>	<b>\$2,407,179</b>	<b>\$19,596,600</b>

**Milford Exempted Village School District**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2013**

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**Note 16 - Interfund Balances/Transfers**

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There were no interfund transactions at June 30, 2013.

Interfund balances/transfers are typically used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed. Generally, all interfund payables are expected to be repaid during the next fiscal year.

**Note 17 - Accountability**

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The following funds had deficit fund balances at June 30, 2013:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Miscellaneous State Grants	\$10,517
Alternative School Program	5,657
Title I	1,451
IDEA Preschool Grant	440

These deficits were created by the recognition of accrued liabilities.

**Note 18 – Change in Accounting Principles**

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The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

**Note 19 – Food Service for Other Districts/Schools**

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Effective with the fiscal year ending June 30, 2013, the District is now providing food service for several other local districts (Finneytown Local School District, Madeira City Schools, Wyoming City Schools) and schools (St. Elizabeth Ann Seton, St. Andrew, St. Columbian, Clermont Educational Collaborative North) and this activity is recorded in the enterprise fund. Food service for Milford students continues to be recorded in the special revenue funds for the District.

# **REQUIRED SUPPLEMENTARY INFORMATION**

Milford Exempted Village School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$31,042,001	\$31,092,179	\$31,803,032	\$710,853
Revenue in lieu of taxes	1,992,647	1,995,868	2,041,499	45,631
Tuition and Fees	882,864	884,291	904,508	20,217
Investment Earnings	24,745	24,785	25,352	567
Intergovernmental	20,965,773	20,999,663	21,479,774	480,111
Extracurricular Activities	135,598	135,817	138,922	3,105
Charges for Services	174,885	175,167	179,172	4,005
Other Revenues	388,738	389,366	398,268	8,902
<b>Total Revenues</b>	<b>55,607,251</b>	<b>55,697,136</b>	<b>56,970,527</b>	<b>1,273,391</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	27,732,687	27,732,687	26,588,875	1,143,812
Special	7,608,660	7,608,660	7,294,847	313,813
Vocational	347,411	347,411	333,082	14,329
Other	65,648	65,648	62,940	2,708
<b>Support Services:</b>				
Pupil	2,148,890	2,148,890	2,060,261	88,629
Instructional Staff	3,724,743	3,724,743	3,571,119	153,624
General Administration	74,767	74,767	71,683	3,084
School Administration	3,115,518	3,115,518	2,987,021	128,497
Fiscal	1,454,759	1,454,759	1,394,759	60,000
Business	353,890	353,890	339,294	14,596
Operations and Maintenance	4,466,957	4,466,957	4,282,721	184,236
Pupil Transportation	5,934,588	5,934,588	5,689,821	244,767
Central	1,021,749	1,021,749	979,608	42,141
Operation of Non-Instructional Services	602	602	577	25
Extracurricular Activities	988,256	988,256	947,496	40,760
<b>Debt Service:</b>				
Principal Retirement	146,495	152,797	146,495	6,302
Interest and Fiscal Charges	20,173	13,871	13,299	572
<b>Total Expenditures</b>	<b>59,205,793</b>	<b>59,205,793</b>	<b>56,763,898</b>	<b>2,441,895</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,598,542)</b>	<b>(3,508,657)</b>	<b>206,629</b>	<b>3,715,286</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	19	19	19	0
Transfers In	6,537	6,547	6,697	150
<b>Total Other Financing Sources (Uses)</b>	<b>6,556</b>	<b>6,566</b>	<b>6,716</b>	<b>150</b>
<b>Net Change in Fund Balance</b>	<b>(3,591,986)</b>	<b>(3,502,091)</b>	<b>213,345</b>	<b>3,715,436</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>14,425,455</b>	<b>14,425,455</b>	<b>14,425,455</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$10,833,469</b>	<b>\$10,923,364</b>	<b>\$14,638,800</b>	<b>\$3,715,436</b>

See accompanying notes to the required supplementary information.

**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources 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 that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District 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 final amended certificate of estimated resources issued during the fiscal year 2013.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).

**Milford Exempted Village School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2013**

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4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$680,575
Revenue Accruals	(2,301,252)
Expenditure Accruals	2,161,129
Proceeds of Capital Assets	19
Transfers In	6,697
Encumbrances	<u>(333,823)</u>
Budget Basis	<u><u>\$213,345</u></u>

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**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2013**

**PLATTENBURG**  
Certified Public Accountants

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$201,788	\$0	\$201,788	\$0
National School Lunch Program	3L60	10.555	1,020,144	179,919	1,020,144	179,919
Total Nutrition Cluster			<u>1,221,932</u>	<u>179,919</u>	<u>1,221,932</u>	<u>179,919</u>
Total U.S. Department of Agriculture			<u>1,221,932</u>	<u>179,919</u>	<u>1,221,932</u>	<u>179,919</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	1,028,394	0	1,106,858	0
Special Education-Preschool Grants	3C50	84.173	36,620	0	36,240	0
Total Special Education Cluster			<u>1,065,014</u>	<u>0</u>	<u>1,143,098</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	653,474	0	622,345	0
Total Title I Cluster			<u>653,474</u>	<u>0</u>	<u>622,345</u>	<u>0</u>
Race to the Top - ARRA	3FD0	84.395	123,432	0	120,350	0
Education Technology State Grants	3S20	84.318	0	0	817	0
Improving Teacher Quality	3Y60	84.367	106,029	0	110,783	0
English Language Acquisition	3Y70	84.365	5,644	0	4,728	0
Total Department of Education			<u>235,105</u>	<u>0</u>	<u>236,678</u>	<u>0</u>
Total Federal Assistance			<u><u>\$3,175,525</u></u>	<u><u>\$179,919</u></u>	<u><u>\$3,224,053</u></u>	<u><u>\$179,919</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Milford Exempted Village School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Exempted Village School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

November 8, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education  
Milford Exempted Village School District

**Report on Compliance for Each Major Federal Program**

We have audited the Milford Exempted Village School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 8, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

November 8, 2013

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**Section I – Summary of Auditor’s Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were the any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list): Nutrition Cluster: School Breakfast Program -CFDA# 10.553 National School Lunch Program -CFDA# 10.555	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS AND  
QUESTIONED COSTS -OMB CIRCULAR A-133  
JUNE 30, 2013**

No prior audit findings or questioned costs.



**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURE**

Board of Education  
Milford Exempted Village School District

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

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

1. We noted the Board amended its anti-harassment policy on August 16, 2012 to include harassment, intimidation or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
November 8, 2013

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# Dave Yost • Auditor of State

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT**

**CLERMONT 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  
DECEMBER 31, 2013**