



**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Fund Types and Expendable Trust Fund .....	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Fund.....	10
Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings Proprietary Fund Type and Nonexpendable Trust Fund .....	12
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) – Proprietary Fund Type and Nonexpendable Trust Fund .....	13
Combined Statement of Cash Flows – Proprietary Fund Type and Nonexpendable Trust Fund.....	14
Notes to the Financial Statements .....	17
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures .....	54
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	55
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133.....	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings.....	61

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Milford Exempted Village School District  
Clermont County  
745 Center Street  
Suite 300  
Milford, Ohio 45150

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Milford Exempted Village School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

November 15, 2002

**This page intentionally left blank.**

Milford Exempted Village School District  
Clermont County  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$9,926,641	\$1,080,775	\$0	\$42,093,722
Cash and Cash Equivalents in Segregated Accounts	242,512	0	0	0
Receivables:				
Property Taxes	22,467,490	0	2,696,397	0
Accounts	34,884	6,174	0	0
Intergovernmental	90,000	66,047	0	0
Accrued Interest	265,276	0	0	0
Interfund	173,134	0	0	0
Due from Other Funds	1,077	102	0	0
Prepaid Items	37,094	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	55,404	5,108	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	222,945	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$33,516,457</b>	<b>\$1,158,206</b>	<b>\$2,696,397</b>	<b>\$42,093,722</b>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$605,871	\$123,455	\$0	\$0	\$53,830,464
0	0	0	0	242,512
0	0	0	0	25,163,887
28,160	0	0	0	69,218
30,313	0	0	0	186,360
0	0	0	0	265,276
0	0	0	0	173,134
0	0	0	0	1,179
0	0	0	0	37,094
45,946	0	0	0	45,946
5,849	0	0	0	66,361
0	0	0	0	222,945
201,254	0	36,074,750	0	36,276,004
0	0	0	142,875	142,875
0	0	0	46,629,806	46,629,806
<u>\$917,393</u>	<u>\$123,455</u>	<u>\$36,074,750</u>	<u>\$46,772,681</u>	<u>\$163,353,061</u>

(continued)

Milford Exempted Village School District  
Clermont County  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities,</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$434,547	\$17,639	\$0	\$0
Contracts Payable	0	0	0	248,205
Accrued Wages and Benefits	3,125,279	105,142	0	0
Compensated Absences Payable	287,662	0	0	0
Due to Other Funds	5	0	0	0
Interfund Payable	0	0	145,925	0
Intergovernmental Payable	629,572	19,341	0	0
Deferred Revenue	20,255,890	62,597	2,407,597	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	0
Claims Payable	30,363	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Energy Conservation Loans Payable	0	0	0	0
Total Liabilities	24,763,318	204,719	2,553,522	248,205
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	247,629	42,261	0	1,685,201
Reserved for Inventory	55,404	5,108	0	0
Reserved for Property Taxes	2,301,600	0	288,800	0
Reserved for Principal	0	0	0	0
Reserved for Prepaid Items	37,094	0	0	0
Reserved for School Bus Purchase Allowance	222,945	0	0	0
Unreserved:				
Undesignated (Deficit)	5,552,804	906,118	(145,925)	40,160,316
Designated for Premium Stabilization	335,663	0	0	0
Total Fund Equity and Other Credits	8,753,139	953,487	142,875	41,845,517
Total Liabilities, Fund Equity and Other Credits	\$33,516,457	\$1,158,206	\$2,696,397	\$42,093,722

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$16,297	\$109	\$0	\$0	\$468,592
0	0	0	0	248,205
115,106	0	0	0	3,345,527
58,224	0	0	1,305,537	1,651,423
1,174	0	0	0	1,179
27,209	0	0	0	173,134
114,159	0	0	337,340	1,100,412
20,182	0	0	0	22,746,266
0	61,380	0	0	61,380
1,364	0	0	0	1,364
0	0	0	0	30,363
8,085	0	0	140,353	148,438
73,618	0	0	43,566,000	43,639,618
0	0	0	1,423,451	1,423,451
435,418	61,489	0	46,772,681	75,039,352
0	0	36,074,750	0	36,074,750
204,401	0	0	0	204,401
277,574	0	0	0	277,574
0	28,200	0	0	2,003,291
0	0	0	0	60,512
0	0	0	0	2,590,400
0	11,322	0	0	11,322
0	0	0	0	37,094
0	0	0	0	222,945
0	22,444	0	0	46,495,757
0	0	0	0	335,663
481,975	61,966	36,074,750	0	88,313,709
\$917,393	\$123,455	\$36,074,750	\$46,772,681	\$163,353,061

THIS PAGE INTENTIONALLY LEFT BLANK

Milford Exempted Village School District  
 Clermont County  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b><u>Revenues:</u></b>						
Property and Other Local Taxes	\$19,825,645	\$0	\$1,543,058	\$0	\$0	\$21,368,703
Intergovernmental	17,659,879	1,825,581	157,597	521,300	0	20,164,357
Interest	852,480	2,369	95,551	1,312,914	343	2,263,657
Tuition and Fees	203,172	14,160	0	0	0	217,332
Rent	33,782	0	0	0	0	33,782
Extracurricular Activities	60	250,827	0	0	0	250,887
Gifts and Donations	7,116	140,990	0	25,000	24,808	197,914
Charges for Services	421,096	0	0	0	0	421,096
Miscellaneous	87,067	0	743,051	0	0	830,118
<b>Total Revenues</b>	<b>39,090,297</b>	<b>2,233,927</b>	<b>2,539,257</b>	<b>1,859,214</b>	<b>25,151</b>	<b>45,747,846</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	16,784,050	303,450	0	0	0	17,087,500
Special	3,578,968	300,682	0	0	0	3,879,650
Vocational	280,979	0	0	0	0	280,979
Other	132,459	0	0	0	0	132,459
Support Services:						
Pupils	2,145,158	422,660	0	0	0	2,567,818
Instructional Staff	1,618,433	261,883	0	0	0	1,880,316
Board of Education	46,450	0	0	0	0	46,450
Administration	3,066,843	9,117	0	0	0	3,075,960
Fiscal	854,385	0	21,640	3,696	0	879,721
Business	426,009	0	0	0	0	426,009
Operation and Maintenance	3,717,036	0	0	802	0	3,717,838
Pupil Transportation	4,461,806	0	0	0	0	4,461,806
Central	965,287	67	0	21,000	0	986,354
Operation of Non -						
Instructional Services	0	305,176	0	0	23,069	328,245
Extracurricular Activities	748,938	261,083	0	0	0	1,010,021
Capital Outlay	228,457	0	0	4,782,168	0	5,010,625
Debt Service:						
Principal Retirement	129,983	0	0	0	0	129,983
Interest and Fiscal Charges	88,746	0	1,603,075	765,273	0	2,457,094
<b>Total Expenditures</b>	<b>39,273,987</b>	<b>1,864,118</b>	<b>1,624,715</b>	<b>5,572,939</b>	<b>23,069</b>	<b>48,358,828</b>
Excess of Revenues Over (Under) Expenditures	(183,690)	369,809	914,542	(3,713,725)	2,082	(2,610,982)
<b><u>Other Financing Sources (Uses):</u></b>						
Operating Transfers In	0	85,000	0	44,980,378	0	45,065,378
Operating Transfers Out	(735,748)	0	(44,339,042)	0	0	(45,074,790)
Proceeds from Sale of Bonds	0	0	43,566,000	0	0	43,566,000
Proceeds from Sale of Fixed Assets	22,207	0	0	0	0	22,207
<b>Total Other Financing Sources (Uses)</b>	<b>(713,541)</b>	<b>85,000</b>	<b>(773,042)</b>	<b>44,980,378</b>	<b>0</b>	<b>43,578,795</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(897,231)	454,809	141,500	41,266,653	2,082	40,967,813
Fund Balances at Beginning of Year	9,689,450	496,740	1,375	578,864	45,029	10,811,458
Increase (Decrease) in Reserve for Inventory	(39,080)	1,938	0	0	0	(37,142)
<b>Fund Balances at End of Year</b>	<b>\$8,753,139</b>	<b>\$953,487</b>	<b>\$142,875</b>	<b>\$41,845,517</b>	<b>\$47,111</b>	<b>\$51,742,129</b>

See accompanying notes to the general purpose financial statements

Milford Exempted Village School District  
Clermont County  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types and Expendable Trust Fund  
For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property and Other Local Taxes	\$21,638,202	\$21,172,664	(\$465,538)	\$0	\$0	\$0
Intergovernmental	17,550,000	17,764,879	214,879	2,193,893	2,108,110	(85,783)
Interest	250,000	261,728	11,728	2,400	2,400	0
Tuition and Fees	150,000	167,130	17,130	14,110	14,110	0
Rent	30,000	33,783	3,783	0	0	0
Extracurricular Activities	0	0	0	254,387	254,387	0
Gifts and Donations	6,300	7,116	816	140,989	140,989	0
Miscellaneous	21,512	77,117	55,605	0	0	0
<b>Total Revenues</b>	<b>39,646,014</b>	<b>39,484,417</b>	<b>(161,597)</b>	<b>2,605,779</b>	<b>2,519,996</b>	<b>(85,783)</b>
<b><u>Expenditures:</u></b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	16,810,363	16,549,464	260,899	519,823	307,043	212,780
Special	3,645,881	3,549,571	96,310	412,745	320,565	92,180
Vocational	291,829	273,521	18,308	0	0	0
Other	187,000	132,459	54,541	0	0	0
<b>Support Services:</b>						
Pupils	2,415,244	2,112,770	302,474	822,000	424,412	397,588
Instructional Staff	1,554,521	1,609,169	(54,648)	188,556	257,552	(68,996)
Board of Education	56,925	49,789	7,136	0	0	0
Administration	3,249,826	2,950,804	299,022	14,392	9,317	5,075
Fiscal	921,331	862,969	58,362	0	0	0
Business	499,660	491,993	7,667	0	0	0
Operation and Maintenance of Plant	3,859,175	3,686,435	172,740	0	0	0
Pupil Transportation	3,971,345	4,328,117	(356,772)	1,106	0	1,106
Central	758,398	990,837	(232,439)	128,297	67	128,230
<b>Operation of Non-</b>						
<b>Instructional Services</b>						
Instructional Services	0	0	0	467,764	319,523	148,241
Extracurricular Activities	754,385	698,314	56,071	318,368	280,103	38,265
Capital Outlay	429,400	238,031	191,369	0	0	0
<b>Debt Service:</b>						
Principal Retirement	80,281	84,403	(4,122)	0	0	0
Interest and Fiscal Charges	79,514	75,392	4,122	0	0	0
<b>Total Expenditures</b>	<b>39,565,078</b>	<b>38,684,038</b>	<b>881,040</b>	<b>2,873,051</b>	<b>1,918,582</b>	<b>954,469</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>80,936</b>	<b>800,379</b>	<b>719,443</b>	<b>(267,272)</b>	<b>601,414</b>	<b>868,686</b>
<b><u>Other Financing Sources (Uses):</u></b>						
Operating Transfers In	0	0	0	85,000	85,000	0
Advances In	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	20,000	22,207	2,207	0	0	0
Refund of Prior Year Expenditures	0	1,513	1,513	37,640	37,640	0
Refund of Prior Year Receipts	0	0	0	(35,000)	(73,306)	(38,306)
Advances Out	0	(156,247)	(156,247)	0	0	0
Operating Transfers Out	(575,000)	(735,748)	(160,748)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(555,000)</b>	<b>(868,275)</b>	<b>(313,275)</b>	<b>87,640</b>	<b>49,334</b>	<b>(38,306)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(474,064)</b>	<b>(67,896)</b>	<b>406,168</b>	<b>(179,632)</b>	<b>650,748</b>	<b>830,380</b>
<b>Fund Balances at Beginning of Year</b>	<b>9,086,609</b>	<b>9,086,609</b>	<b>0</b>	<b>312,124</b>	<b>312,124</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>222,651</b>	<b>222,651</b>	<b>0</b>	<b>59,610</b>	<b>59,610</b>	<b>0</b>
<b>Fund Balances at End of Year</b>	<b>\$8,835,196</b>	<b>\$9,241,364</b>	<b>\$406,168</b>	<b>\$192,102</b>	<b>\$1,022,482</b>	<b>\$830,380</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,270,000	\$1,254,258	(\$15,742)	\$0	\$0	\$0	\$0	\$0	\$0
150,000	157,597	7,597	515,976	515,976	0	0	0	0
115,000	95,551	(19,449)	1,327,619	1,327,619	0	356	356	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	25,000	25,000	0	24,808	24,808	0
230,115	743,052	512,937	0	0	0	0	0	0
1,765,115	2,250,458	485,343	1,868,595	1,868,595	0	25,164	25,164	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
20,149	21,642	(1,493)	0	3,696	(3,696)	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	95,751	24,255	71,496	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	21,000	21,000	0	0	0	0
0	0	0	0	0	0	69,226	51,270	17,956
0	0	0	0	0	0	0	0	0
0	0	0	45,169,755	6,320,022	38,849,733	0	0	0
43,566,000	43,566,000	0	0	0	0	0	0	0
1,868,857	2,376,116	(507,259)	0	0	0	0	0	0
45,455,006	45,963,758	(508,752)	45,286,506	6,368,973	38,917,533	69,226	51,270	17,956
(43,689,891)	(43,713,300)	(23,409)	(43,417,911)	(4,500,378)	38,917,533	(44,062)	(26,106)	17,956
0	0	0	641,336	641,336	0	0	0	0
125,000	129,038	4,038	0	0	0	0	0	0
43,566,000	43,566,000	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
43,691,000	43,695,038	4,038	641,336	641,336	0	0	0	0
1,109	(18,262)	(19,371)	(42,776,575)	(3,859,042)	38,917,533	(44,062)	(26,106)	17,956
1,376	1,376	0	43,815,485	43,815,485	0	16,920	16,920	0
0	0	0	384,506	384,506	0	28,120	28,120	0
\$2,485	(\$16,886)	(\$19,371)	\$1,423,416	\$40,340,949	\$38,917,533	\$978	\$18,934	\$17,956

Milford Exempted Village School District  
 Clermont County  
 Combined Statement of Revenues,  
 Expenses and Changes in Fund Equity  
 Proprietary Fund Type and Nonexpendable Trust Fund  
 For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b><u>Operating Revenues:</u></b>			
Tuition	\$900	\$0	\$900
Sales	1,473,539	0	1,473,539
Charges for Services	676,396	0	676,396
Interest	0	282	282
Other	17,960	0	17,960
Total Operating Revenues	2,168,795	282	2,169,077
<b><u>Operating Expenses:</u></b>			
Salaries	1,023,075	0	1,023,075
Fringe Benefits	275,703	0	275,703
Purchased Services	56,717	0	56,717
Materials and Supplies	350,916	0	350,916
Cost of Sales	716,454	0	716,454
Depreciation	58,246	0	58,246
Other	789	500	1,289
Total Operating Expenses	2,481,900	500	2,482,400
Operating Loss	(313,105)	(218)	(313,323)
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Federal Donated Commodities	126,533	0	126,533
Federal and State Subsidies	266,102	0	266,102
Interest	115	0	115
Interest and Fiscal Charges	(5,183)	0	(5,183)
Total Non-Operating Revenues (Expenses)	387,567	0	387,567
Income (Loss) Before Operating Transfers	74,462	(218)	74,244
Operating Transfers In	9,412	0	9,412
Net Income (Loss)	83,874	(218)	83,656
Retained Earnings/Fund Balance at Beginning of Year - Restated	193,700	15,073	208,773
Retained Earnings/Fund Balance at End of Year	277,574	14,855	292,429
Contributed Capital at Beginning and End of Year	204,401	0	204,401
Total Fund Equity at End of Year	\$481,975	\$14,855	\$496,830

See accompanying notes to the general purpose financial statements

Milford Exempted Village School District  
Clermont County  
Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2002

	Enterprise Funds			Nonexpendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Sales	\$1,484,512	\$1,475,099	(\$9,413)	\$0	\$0	\$0
Charges for Services	676,959	676,396	(563)	0	0	0
Federal and State Subsidies	266,102	266,102	0	0	0	0
Interest	146	146	0	288	287	(1)
Other	19,007	19,570	563	0	0	0
Total Operating Revenues	2,446,726	2,437,313	(9,413)	288	287	(1)
<b><u>Expenses:</u></b>						
Salaries	987,180	993,682	(6,502)	0	0	0
Fringe Benefits	285,670	265,586	20,084	0	0	0
Purchased Services	63,400	83,734	(20,334)	0	0	0
Materials and Supplies	1,108,066	963,417	144,649	0	0	0
Capital Outlay	26,787	25,290	1,497	0	0	0
Principal Retirement	36,400	36,400	0	0	0	0
Interest and Fiscal Charges	5,060	5,060	0	0	0	0
Other	27,113	227	26,886	15,339	1,500	13,839
Total Operating Expenses	2,539,676	2,373,396	166,280	15,339	1,500	13,839
Excess of Revenues Over (Under) Expenses	(92,950)	63,917	156,867	(15,051)	(1,213)	13,838
Advances In	27,209	27,209	0	0	0	0
Operating Transfers In	0	9,412	9,412	0	0	0
Excess of Revenues Over (Under) Expenses after Advances and Transfers	(65,741)	100,538	166,279	(15,051)	(1,213)	13,838
Fund Equity at Beginning of Year	455,036	455,036	0	14,417	14,417	0
Prior Year Encumbrances Appropriated	42,921	42,921	0	750	750	0
Fund Equity at End of Year	\$432,216	\$598,495	\$166,279	\$116	\$13,954	\$13,838

See accompanying notes to the general purpose financial statements

Milford Exempted Village School District  
Clermont County  
Combined Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$2,147,862	\$0	\$2,147,862
Cash Received from Tuition Payments	0	0	0
Cash Payments to Suppliers for Goods and Services	(1,013,617)	0	(1,013,617)
Cash Payments to Employees for Services	(993,681)	0	(993,681)
Cash Payments for Employee Benefits	(265,586)	0	(265,586)
Cash Payments for Other Operating Expenses	(789)	(500)	(1,289)
Cash Received from Other Operating Revenues	19,570	0	19,570
<i>Net Cash Used for Operating Activities</i>	(106,241)	(500)	(106,741)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Federal and State Subsidies	266,102	0	266,102
Operating Transfers In	9,412	0	9,412
Advances In	27,209	0	27,209
<i>Net Cash Provided by Noncapital Financing Activities</i>	302,723	0	302,723
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Principal Paid on General Obligation Bonds	(36,400)	0	(36,400)
Interest Paid on General Obligation Bonds	(5,062)	0	(5,062)
Principal Paid on Capital Leases	(3,284)	0	(3,284)
Interest Paid on Capital Leases	(796)	0	(796)
Payments for Capital Acquisitions	(13,676)	0	(13,676)
<i>Net Cash Used For Capital and Related Financing Activities</i>	(59,218)	0	(59,218)
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	115	282	397
<i>Net Cash Provided by Investing Activities</i>	115	282	397
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	137,379	(218)	137,161
<i>Cash and Cash Equivalents at Beginning of Year</i>	468,492	15,073	483,565
<i>Cash and Cash Equivalents at End of Year</i>	\$605,871	\$14,855	\$620,726

(continued)

Milford Exempted Village School District  
Clermont County  
Combined Statement of Cash Flows  
Proprietary Fund Type and Nonexpendable Trust Fund  
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b><u>Reconciliation of Operating Loss to Net</u></b>			
<b><u>Cash Used for Operating Activities:</u></b>			
Operating Loss	(\$313,105)	(\$218)	(\$313,323)
<b><u>Adjustments to Reconcile Operating Loss</u></b>			
<b><u>to Net Cash Used for Operating Activities:</u></b>			
Depreciation	58,246	0	58,246
Donated Commodities Used During Year	124,311	0	124,311
Interest received by the Nonexpendable Trust Fund	0	(282)	(282)
<b><u>Changes in Assets and Liabilities:</u></b>			
Increase in Accounts Receivable	(2,367)	0	(2,367)
Increase in Inventory Held for Resale	(991)	0	(991)
Increase in Materials and Supplies Inventory	(945)	0	(945)
Decrease in Accounts Payable	(10,638)	0	(10,638)
Increase in Accrued Wages and Benefits	33,102	0	33,102
Decrease in Compensated Absences Payable	(1,934)	0	(1,934)
Decrease in Due to Other Funds	(262)	0	(262)
Increase in Intergovernmental Payable	8,342	0	8,342
<i>Total Adjustments</i>	206,864	(282)	206,582
<i>Net Cash Used for Operating Activities</i>	(\$106,241)	(\$500)	(\$106,741)

Reconciliation of Nonexpendable Trust Fund to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Funds	\$123,455
Cash and Cash Equivalents - Expendable Trust and Agency Funds	(108,600)
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$14,855

See accompanying notes to the general purpose financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Milford Exempted Village School District ( the “School 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 School 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 School District's seven instructional support facilities staffed by approximately 207 non-certificated, 359 teaching personnel and 29 administrative employees providing education to approximately 5,890 students.

Reporting Entity

A 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 School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Milford Exempted Village School District, this includes general operations, food service, latchkey, and student related activities of the School District. The following activities are included within the reporting entity:

*Parochial Schools* - Within the School 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 School District, as directed by the parochial schools. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

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

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The City of Milford and the Parent Teacher Organizations, which perform activities within the School District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

The School 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 Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 19 and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Milford Exempted Village School 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 School District also applied Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust, a nonexpendable trust and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants, interest, tuition, rent, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenues 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 School District, available means expected to be received within sixty days or year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include 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 (see Note 6.) 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 fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The accrual basis of accounting is utilized for reporting purposes by the proprietary and non-expendable trust funds. Revenues are recognized when they are earned, and expenses are recognized when 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. Unused donated commodities are reported as deferred revenue.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Clermont County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eleven supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and the expendable trust fund and reported in the notes to the financial statements for proprietary funds and the nonexpendable trust fund.

Lapsing of Appropriations:

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

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The School District utilizes a third party administrator to pay claim expenses and account for the dental self-insurance fund. The balance in this account presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" and represents the difference between deposits and the paid claims.

During fiscal year 2002 investments were limited to funds invested in a repurchase agreement, federal mortgage backed agencies securities, United States treasury obligations, money market mutual funds, commercial paper and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Investment contracts and money market investments that has a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund, during fiscal year 2002 amounted to \$852,480, which includes \$675,443 assigned to other School District funds. The Auxiliary Service special revenue fund, debt service fund, Permanent Improvement and Building capital projects funds, Special Trust expendable trust fund, Lunchroom enterprise fund and Endowment nonexpendable trust fund also received interest of \$2,369; \$95,551; \$7,279; \$1,305,635; \$343; \$115; and \$282, respectively. For purposes of the statement of cash flows, the proprietary fund and nonexpendable trust fund share of Equity in Pooled Cash and Cash Equivalents is considered to be cash equivalents because the School District has access to these funds without penalty or prior notice.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies, and school supplies held for resale and are expensed when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure.

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 capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture, equipment and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life of ten years.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits 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 School District's termination policy.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension obligation are reported as liabilities in the general long-term obligation account group to the extent they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases, general obligation bonds and long-term loans are reported as a liability of the general long-term obligation account group until due. Capital leases, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside for the purchase of buses, and amounts required by statute to be set-aside by the School District to create a reserve for textbooks and instructional materials. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Fund Balance Reserves and Designations

The School District records reservations for those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes, principal, prepaid items and school bus purchase allowance.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for principal represents monies reserved by an endowment to the School District to maintain scholarships.

There has been a designation of fund balance established in the general fund for premium stabilization of insurance premiums. This designation represents tentative managerial plans for financial resource utilization in a future period. These plans are subject to change and may never be legally authorized or result in expenditures.

Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There were no changes to contributed capital during the fiscal year.

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.

Total Columns on Basic Financial Statements

Total columns on the basic financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Reducing Class Size special revenue fund, Food Service enterprise fund, and Endowment nonexpendable trust fund had deficit fund balances/retained earnings of \$1,196; \$237,454; and \$99, respectively. The deficits were created by application of generally accepted accounting principles. The general fund provides cash to these funds; however that does not happen until needed.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances:

Fund	Amount
Special Revenue Funds:	
Eisenhower Grant	\$1,998
Title VI Grant	15,236
Total Special Revenue Funds	17,234
Capital Projects Fund:	
PowerUp Capacity Grant	104,669
Total All Funds	\$121,903

Contrary to section 5705.41(B) Ohio Revised Code, the following funds had expenditures/expenses in excess of appropriations:

Fund	Amount
Debt Service Fund	\$508,752
Enterprise Fund:	
Food Service	25,813
Total All Funds	\$534,565

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues,

Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), Proprietary Fund Type and Nonexpendable Trust Fund are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust fund and as note disclosures in the proprietary fund type and nonexpendable trust fund (GAAP basis).
4. Proceeds from bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions. (GAAP basis).

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - BUDGET TO GAAP RECONCILIATION (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$897,231)	\$454,809	\$141,500	\$41,266,653	\$2,082
Adjustments:					
Revenue Accrual	395,633	323,709	(288,799)	9,381	12
Expenditure Accrual	1,177,623	(69,478)	(773,043)	956,768	0
Encumbrances	(587,674)	(58,292)	0	(1,752,802)	(28,200)
Advances	(156,247)	0	129,038	0	0
Transfers	0	0	44,339,042	(44,339,042)	0
Principal Retirement	0	0	(43,566,000)	0	0
Budget Basis	<u>(\$67,896)</u>	<u>\$650,748</u>	<u>(\$18,262)</u>	<u>(\$3,859,042)</u>	<u>(\$26,106)</u>

Net Income (Loss)/Excess of Revenues  
Over (Under) Expenses after Advances and Transfers  
Proprietary Fund Type and Nonexpendable Trust Fund

	Enterprise	Nonexpendable Trust
GAAP Basis	\$83,874	(\$218)
Adjustments:		
Revenue Accruals	2,301	5
Expense Accruals	(14,974)	0
Depreciation Expense	58,246	0
Capital Acquisitions	(13,676)	0
Inventory Held for Resale	(991)	0
Materials and Supplies Inventory	(945)	0
Advances	27,209	0
Encumbrances	(40,506)	(1,000)
Budget Basis	<u>\$100,538</u>	<u>(\$1,213)</u>

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

3. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days; and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits** At year end, the carrying amount of the School District's deposits, excluding payroll and athletic account, was \$3,691,818 and the bank balance was \$3,748,303. Of the bank balance:

1. \$301,795 was covered by federal depository insurance; and

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. \$3,446,508 was covered by pledged securities held by the institution in the School District's name.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

<u>Investments</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$36,449,104	\$0	\$36,449,104
Federal National Mortgage Association	7,788,330	0	7,788,330
Student Loan Mortgage Association	197,180	0	197,180
STAR Ohio	0	6,143,450	6,143,450
Money Market Mutual Funds	0	26,039	26,039
	<u>\$44,434,614</u>	<u>\$6,169,489</u>	<u>\$50,604,103</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "*Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*"

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$54,295,921	\$0
Investments:		
STAR Ohio	(6,143,450)	6,143,450
Federal Home Loan Bank	(36,449,104)	36,449,104
Federal National Mortgage Association	(7,788,330)	7,788,330
Student Loan Mortgage Association	(197,180)	197,180
Money Market Mutual Funds	(26,039)	26,039
GASB Statement No.3	\$3,691,818	\$50,604,103

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2002 with real property taxes.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2002 First- Half Collections		2002 Second- Half Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$610,562,310	89.78%	\$642,941,190	90.79%
Public Utility Personal	41,904,170	6.16	44,239,404	6.25
Tangible Personal Property	27,590,730	4.06	20,984,330	2.96
Total Assessed Value	<u>\$680,057,210</u>	<u>100.00%</u>	<u>\$708,164,924</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.80		\$65.90	

The School District passed a 4.1 mill capital levy that became effective during the fiscal year. The School District receives property taxes from Clermont and Hamilton Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Milford Exempted Village School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal 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, 2002, was \$2,301,600 and \$288,800 in the general fund and the debt service fund, respectively.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of property taxes, accounts (rent, tuition, and student fees), and intergovernmental. 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. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
City of Milford abatement	\$90,000
Special Revenue Fund:	
School Professional Development	3,450
Eisenhower	1,998
Title I	52,635
Title II	1,046
Drug Free Act	6,778
Reducing Class Size	140
Total Special Revenue Funds	66,047
Lunchroom Enterprise Fund	
Federal School Lunch and Breakfast Program	30,313
Total	\$186,360

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$695,036
Vehicles	<u>49,420</u>
Total	744,456
Less accumulated depreciation	<u>(543,202)</u>
Net Fixed Assets	<u>\$201,254</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Buildings	\$20,391,175	\$233,021	\$0	\$20,624,196
Land and Improvements	997,544	2,482,988	0	3,480,532
Furniture and Equipment	7,060,743	493,973	162,415	7,392,301
Vehicles	2,982,421	26,373	409,459	2,599,335
Construction in Progress	<u>0</u>	<u>1,978,386</u>	<u>0</u>	<u>1,978,386</u>
Totals	<u>\$31,431,883</u>	<u>\$5,214,741</u>	<u>\$571,874</u>	<u>\$36,074,750</u>

NOTE 9 - RISK MANAGEMENT

The School 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 2002, the School District contracted with Acordia for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Acordia are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$62,085,285
Inland Marine Coverage (\$250 deductible)	706,900
Boiler and Machinery	No limit
Automobile Liability (\$1,000 deductible)	2,000,000
Uninsured Motorists	25,000
Pollution (\$1,000 deductible)	1,000,000
Employers' Liability (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence (\$1,000 deductible)	2,000,000
Aggregate	5,000,000

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - RISK MANAGEMENT (continued)

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.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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.

Effective February 1, 1995 the School District has elected to provide employee dental benefits through a self-insurance plan operated through the general fund. This plan provides a dental plan with four different classifications with a \$25 single and \$50 family deductible. The School District pays the premium for the employees in the dental plan.

A third party administrator, Frank Gates & Company, Columbus, Ohio, reviews all claims which are then paid by the School District. The School District pays \$45.00 per policy (single or family) per month, which represents the entire premium. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$30,363 reported in the general fund at June 30, 2002, is based on information provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," which requires that the liability for the unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustments expenses. Changes in claims activity for the past two years are as follows:

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - RISK MANAGEMENT (continued)

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2001	\$19,944	\$396,182	\$383,480	\$32,646
2002	32,646	411,047	413,330	30,363

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligation with the remainder being used to fund health care benefits; for fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001 and 2000, 4.2 percent and 8.5 percent, respectively, were used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$411,635, \$236,745 and \$275,437, respectively; 54.83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$185,952 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,674,171, \$1,767,842, and \$1,003,353, respectively; 83.41 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$277,778 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$793,029 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. At June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,000 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 4.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$746,092.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care the June 30, 2002 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave amounts are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Only accrued vacation for the current fiscal year not taken is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Treasurer. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for administrators and 230 days for the remaining staff. Upon retirement with a minimum of ten years of service with the School District, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of 57-1/2 days with the exception of administrators who are eligible to receive a maximum of 75 days.

The School District also offers super severance pay to administrators that retire through the State Teachers Retirement System at the end of the work year that they first become eligible to retire. Administrators will receive super severance at any time after they become eligible to retire if they have worked in the School District for ten or more years. The super severance payment is fifty percent of the employee's accumulated sick leave. It is assumed that all eligible administrators will be paid the super severance percentage and all other employees will be paid based on the twenty-five percent of accumulated sick leave.

B. Life Insurance

The School District provides life insurance and accidental death insurance to most employees through Reliance Standard Insurance Company.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - EMPLOYEE BENEFITS (continued)

C. Employee Medical Benefits

The School District has elected to provide employee medical/surgical benefits through Anthem. The provider offers two plans to the School District's employees. The preferred patient plan costs \$218.49 for single and \$654.12 for family with a \$10 co-pay by the employee. The other plan is the health maintenance plan, in which the employee must choose a family medical provider from an approved list. The cost for single is 250.88 and family is \$589.29 with a \$5 co-pay.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2001, the School District entered into capitalized leases for copy machines. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of copiers have been capitalized in the general fixed assets account group in the amount of \$274,303 and proprietary fixed assets have been capitalized in the appropriate fund in the amount of \$16,744. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and appropriate proprietary fund. Principal payments in fiscal year 2002 totaled \$45,580 in the governmental funds and \$3,284 in the proprietary funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>	<u>Enterprise Funds</u>
2003	\$66,822	\$4,079
2004	66,822	4,079
2005	20,857	680
Total	154,501	8,838
Less: Amount Representing Interest	(14,148)	(753)
Present Value of Net Minimum Lease Payments	<u>\$140,353</u>	<u>\$8,085</u>

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 14 - LONG TERM DEBT

Changes in long-term obligations of the School District during the 2001 fiscal year were as follows:

	<u>Amount at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount at June 30, 2002</u>
<u>General Obligation</u>				
Energy Conservation Loan 2014 5.07%	\$1,507,854	\$0	\$84,403	\$1,423,451
General Obligation Bonds 2030 3.00%-6.00%	0	43,566,000	0	43,566,000
Compensated Absences	1,407,925	0	102,388	1,305,537
Intergovernmental Payable	315,125	337,340	315,125	337,340
Capital Leases Payable	185,933	0	45,580	140,353
Total General				
Long-term Obligations	<u>3,416,837</u>	<u>43,903,340</u>	<u>547,496</u>	<u>46,772,681</u>
<u>Proprietary</u>				
Classroom Acquisition General Obligation Bonds 2004 4.60%	110,018	0	36,400	73,618
Compensated Absences	60,158	0	1,934	58,224
Intergovernmental Payable	78,664	82,779	78,664	82,779
Capital Leases Payable	11,369	0	3,284	8,085
Total Proprietary	<u>260,209</u>	<u>82,779</u>	<u>120,282</u>	<u>222,706</u>
Total All Funds	<u><u>\$3,677,046</u></u>	<u><u>\$43,986,119</u></u>	<u><u>\$667,778</u></u>	<u><u>\$46,995,387</u></u>

*Energy Conservation Loans* - On January 21, 2000, the School District issued \$1,664,495 in energy conservation loans for the purpose of installations, modifications of installations, or remodeling that would significantly reduce energy consumption in buildings owned by the District. The bonds were issued for a fifteen year period with final maturity at December 1, 2013. The bonds will be retired from the debt service fund.

*General Obligation Bonds*-On December 1, 2001 the School 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.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 14 - LONG TERM DEBT (Continued)

*Classroom Acquisition General Obligation Bonds* - On January 21, 2000, the School District issued \$182,818 in voted general obligation bonds for the purpose of acquiring modular classrooms. The bonds were issued for a five year period with final maturity at December 1, 2003. The bonds are expected to be retired from the latchkey enterprise fund.

The School District's overall legal debt margin was \$20,814,039 with an energy conservation debt margin of \$4,950,033 and an unvoted debt margin of \$708,165 at June 30, 2002.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents the contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. Capital leases will be paid from the General fund and applicable proprietary funds.

Fiscal Year Ending June 30,	Energy Conservation Loan			Governmental General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$88,736	\$71,058	\$159,794	\$801,000	\$2,191,631	\$2,992,621
2004	93,292	66,502	159,794	900,000	2,167,601	3,067,601
2005	98,082	61,713	159,795	1,010,000	2,138,351	3,148,351
2006	103,118	56,677	159,795	1,285,000	2,105,526	3,390,526
2007	108,412	51,382	159,794	135,000	2,063,764	2,198,764
2008-2012	631,493	167,479	798,972	2,355,000	10,156,961	12,511,961
2013-2017	300,318	19,271	319,589	6,155,000	9,295,351	15,450,351
2018-2022	0	0	0	9,560,000	7,058,894	16,618,894
2023-2030	0	0	0	21,365,000	5,210,619	26,575,619
Totals	<u>\$1,423,451</u>	<u>\$494,082</u>	<u>\$1,917,533</u>	<u>\$43,566,000</u>	<u>\$42,388,698</u>	<u>\$85,954,698</u>

Fiscal Year Ending June 30,	Enterprise General Obligation Bonds		
	Principal	Interest	Total
2003	\$36,400	\$2,968	\$39,368
2004	37,218	1,293	38,511
Totals	<u>\$73,618</u>	<u>\$4,261</u>	<u>\$77,879</u>

NOTE 15 - SHORT TERM DEBT

As of June 30, 2002, the School District had no short term obligations outstanding. On January 17, 2002 the School District retired \$43,566,000 notes with the issuance of long term bonds.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 16 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following individual receivables and payables:

	Interfund Receivable	Interfund Payable	Due From Other Funds	Due to Other Funds
General Fund	\$173,134	\$0	\$1,077	\$5
Special Revenue Funds:				
District Managed Activities	0	0	102	0
Debt Service	0	145,925	0	0
Enterprise Fund:				
Food Service	0	27,209	0	0
Latchkey	0	0	0	1,174
Total All Funds	<u>\$173,134</u>	<u>\$173,134</u>	<u>\$1,179</u>	<u>\$1,179</u>

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, adult education and latchkey program. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Milford Exempted Village School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Latchkey	Total
Operating Revenues	\$1,166,491	\$324,744	\$677,560	\$2,168,795
Depreciation	44,719	0	13,537	58,246
Operating Income (Loss)	(415,998)	30,275	72,618	(313,105)
Donated Commodities	126,533	0	0	126,533
Federal and State Subsidies	225,617	0	40,485	266,102
Net Other Non-Operating Revenues and Expenses	(283)	0	(4,785)	(5,068)
Operating Transfers	0	9,412	0	9,412
Net Income (Loss)	(64,131)	39,688	108,317	83,874
Capital Acquisitions	10,566	0	3,110	13,676
Net Working Capital	(81,316)	204,849	298,192	421,725
Total Assets	30,377	211,433	675,583	917,393

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

Long term Obligations:

Compensated Absences	\$45,272	\$0	\$12,952	\$58,224
Intergovernmental Payable	41,018	0	41,761	82,779
General Obligation Bonds	0	0	73,618	73,618
Total Equity	(196,348)	205,706	472,617	481,975
Encumbrances June 30, 2002	578	15,344	24,584	40,506

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District also received monies for school bus purchases. This amount is shown as a reserve for school bus purchase allowance.

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

	Textbooks	Capital Acquisition	Totals
Set-aside Carryover Balance as of June 30, 2001	\$201,764	\$165,817	\$367,581
Current Year Set-aside Requirement	721,996	721,996	1,443,992
Offsets	0	(250,000)	(250,000)
Qualifying Disbursements	(1,221,980)	(4,139,398)	(5,361,378)
Total	(298,220)	(3,501,585)	(3,799,805)
Set-aside Carryover Balance as of June 30, 2002	<u>(\$298,220)</u>	<u>\$0</u>	
Amount restricted for School Bus Purchase Allowance			<u>222,945</u>
Total Restricted Assets			<u><u>\$222,945</u></u>

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

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. The School District paid \$88,585 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from Al Porter, director, their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Great Oaks Joint Vocational School

The Great Oaks Joint Vocational School, 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 Joint Vocational School 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 School District has no ongoing financial interest in nor responsibility for the Vocational School. Complete financial statements for Great Oaks Joint Vocational School can be obtained from the treasurer, John Wahle, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 20 - INSURANCE PURCHASING POOL

The School 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.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 21-CONTRACTUAL COMMITMENTS

Contractor	Remaining Balance as of June 30, 2002
Sunesis	\$328,460
Skillman Corporation - Buckwheat	428,205
Skillman Corporation - McCromich	446,107
Voorhis, Slone, Welsh, Crossland	89,050
Voorhis, Slone, Welsh, Crossland	146,769
West Side Paving Contractors	213,670
Compaq Computers Corporation	118,408
Mid-America Surfaces	79,250
Gateway Business	108,630

NOTE 22 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision charging the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 22 - STATE SCHOOL FUNDING DECISION (Continued)

The case is now in reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 23 - PRIOR PERIOD ADJUSTMENT

During fiscal year 2001, the School District evaluated the estimated useful lives for the enterprise fund fixed assets. The School District incorrectly reported this change for the year ended June 30, 2001. The District also changed the present value for the capital leases recorded in the enterprise funds. As a result of the adjustments, the beginning retained earnings was restated from \$229,372 to \$193,700 at June 30, 2001. In prior years, the School District did not reflect the reserved principal balance in the nonexpendable trust fund. The adjustment increased beginning fund balance from \$120 to \$15,073 at June 30, 2001.

NOTE 24 - RELATED PARTY TRANSACTIONS

The School District and Superintendent entered into a promissory note during fiscal year 2001. The principal amount of \$35,666 is due in monthly installments at an interest rate of 3.28% with a final maturity date of September 2005. During 2002, the School District received \$5,843 recorded as miscellaneous revenue in the General Fund.

NOTE 25 - CONTINGENCIES

A. Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation:

As of June 30, 2002, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$144,179	\$0	\$146,270
School Breakfast Program	05-PU	10.553	6,225		6,225	
National School Lunch Program	LL-P4	10.555	241,317		241,317	
Summer Food Service Program for Children	24-PU	10.559	40,485		40,485	
Total U.S. Department of Agriculture - Nutrition Cluster			<b>288,027</b>	<b>144,179</b>	<b>288,027</b>	<b>146,270</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	583,588		376,164	
Special Education - Preschool Grant	PG-S1	84.173	16,708		18,600	
Total Special Education Cluster			<b>600,296</b>	<b>-</b>	<b>394,764</b>	<b>-</b>
Adult Education- State Grant Program		84.002				
Bilingual Education		84.003				
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	546,252		334,597	
Drug-Free Schools Grant	DR-S1	84.186	31,921		35,431	
Title I Capital Expenses	CX-S1	84.216	-		7,000	
Innovative Educational Program Strategies	C2-S1	84.298	56,926		40,679	
Classroom Size Reduction	CR-S1	84.340	159,105		98,800	
Eisenhower Professional Development State Grant	MS-S1	84.281	23,099		21,287	
Reading Excellence	RN-S2	84.338	186,907		107,213	
School Renovation, IDEA and Technology	TF-VL	84.352A	20,815		20,815	
<i>Passed Through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education - Basic Grants to State	N/A	84.048	10,083		10,132	
Total Department of Education			<b>1,635,404</b>		<b>1,070,718</b>	
<b>Totals</b>			<b>\$1,923,431</b>	<b>\$ 144,179</b>	<b>\$ 1,358,745</b>	<b>\$ 146,270</b>

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B--FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Milford Exempted Village School District  
Clermont County  
745 Center Street  
Suite 300  
Milford, Ohio 45150

To the Board of Education:

We have audited the financial statements of Milford Exempted Village School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10431-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 15, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

Milford Exempted Village School District  
Clermont County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

November 15, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Milford Exempted Village School District  
Clermont County  
745 Center Street  
Suite 300  
Milford, Ohio 45150

To the Board of Education:

**Compliance**

We have audited the compliance of Milford Exempted Village School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Milford Exempted Village School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Milford Exempted Village School District's management. Our responsibility is to express an opinion on Milford Exempted Village School District's compliance based on our audit.

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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Milford Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated November 15, 2002.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002.

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



**Jim Petro**  
Auditor of State

November 15, 2002

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under Section .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Nutrition Cluster (10.550, 10.553, 10.555, 10.559)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2002-10413-001**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2002-10413-001  
(Continued)**

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

Twelve percent of the expenditures tested were not certified at the time the commitment was made as to the availability of funds.

There was one super blanket purchase order in which the expenditures charged against it were more than what was encumbered.

At June 30, 2002 outstanding commitments in the amount of \$105,116 were not properly encumbered.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None

**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-10413-001	Ohio Rev. Code, Section 5705.41B appropriations exceeded expenditures in the Debt Retirement Fund at September 30, 2000	No	Partially Corrected – We have cited this in the management letter for different funds.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 23, 2002**