



**MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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 Balances - All Governmental Fund Types and Expendable Trust Fund	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Fund	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – 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 General-Purpose Financial Statements	17
Schedule of Federal Awards Expenditures	48
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings	53

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REPORT OF INDEPENDENT ACCOUNTANTS

Milford Exempted Village School District
Clermont County
525 Lila Avenue
Milford, Ohio 45150

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2000 on our consideration of Milford Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

March 20, 2000

Milford Exempted Village School District

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Milford Exempted Village School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,281,586	\$484,913	\$2,060,339	\$687,274
Cash and Cash Equivalents in Segregated Accounts	109,195	0	0	0
Receivables:				
Property Taxes	19,575,081	0	0	0
Accounts	30,788	0	0	24,988
Intergovernmental	135,000	160,954	0	0
Interfund Receivable	26,863	0	0	0
Due from Other Funds	3,415	0	0	0
Prepaid Items	28,540	0	0	0
Inventory Held for Resale	0	0	0	49,093
Materials and Supplies Inventory	108,662	818	0	5,238
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	521,672	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	40,654
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$25,820,802</u>	<u>\$646,685</u>	<u>\$2,060,339</u>	<u>\$807,247</u>

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$121,879	\$0	\$0	\$8,635,991
0	0	0	109,195
0	0	0	19,575,081
0	0	0	55,776
0	0	0	295,954
0	0	0	26,863
0	0	0	3,415
0	0	0	28,540
0	0	0	49,093
0	0	0	114,718
0	0	0	521,672
0	30,161,984	0	30,202,638
0	0	3,420,525	3,420,525
<u>\$121,879</u>	<u>\$30,161,984</u>	<u>\$3,420,525</u>	<u>\$63,039,461</u>

(continued)

Milford Exempted Village School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	<u>Governmental Fund Types</u>			Proprietary Fund Type
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
<u>Liabilities:</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$164,436	\$28,595	\$0	\$69,837
Contracts Payable	22,350	0	673,324	0
Accrued Wages and Benefits	2,379,811	85,008	0	101,459
Compensated Absences Payable	289,684	0	0	61,934
Interfund Payable	0	26,863	0	0
Due to Other Funds	0	3,415	0	0
Intergovernmental Payable	715,838	16,084	0	105,555
Deferred Revenue	16,914,781	0	0	33,898
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	3,341
Claims Payable	11,938	0	0	0
General Obligation Bonds Payable	0	0	0	182,818
Energy Conservation Loans Payable	0	0	0	0
Total Liabilities	<u>20,498,838</u>	<u>159,965</u>	<u>673,324</u>	<u>558,842</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	204,401
Retained Earnings:				
Unreserved	0	0	0	44,004
Fund Balance:				
Reserved for Encumbrances	330,852	94,959	0	0
Reserved for Inventory	108,662	818	0	0
Reserved for Property Taxes	2,660,300	0	0	0
Reserved for Principal	0	0	0	0
Reserved for School Bus Purchase Allowance	109,700	0	0	0
Reserved for Budget Stabilization	411,972	0	0	0
Unreserved:				
Undesignated	1,364,815	390,943	1,387,015	0
Designated for Premium Stabilization	335,663	0	0	0
Total Fund Equity and Other Credits	<u>5,321,964</u>	<u>486,720</u>	<u>1,387,015</u>	<u>248,405</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$25,820,802</u>	<u>\$646,685</u>	<u>\$2,060,339</u>	<u>\$807,247</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations		
	\$9,762	\$0	\$0	\$272,630
	0	0	0	695,674
	0	0	0	2,566,278
	0	0	1,476,359	1,827,977
	0	0	0	26,863
	0	0	0	3,415
	0	0	279,671	1,117,148
	0	0	0	16,948,679
	41,944	0	0	41,944
	0	0	0	3,341
	0	0	0	11,938
	0	0	0	182,818
	0	0	1,664,495	1,664,495
	<u>51,706</u>	<u>0</u>	<u>3,420,525</u>	<u>25,363,200</u>
	0	30,161,984	0	30,161,984
	0	0	0	204,401
	0	0	0	44,004
	23,500	0	0	449,311
	0	0	0	109,480
	0	0	0	2,660,300
	14,954	0	0	14,954
	0	0	0	109,700
	0	0	0	411,972
	31,719	0	0	3,174,492
	0	0	0	335,663
	<u>70,173</u>	<u>30,161,984</u>	<u>0</u>	<u>37,676,261</u>
	<u>\$121,879</u>	<u>\$30,161,984</u>	<u>\$3,420,525</u>	<u>\$63,039,461</u>

Milford Exempted Village School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues:</u>					
Property Taxes	\$20,612,081	\$0	\$0	\$0	\$20,612,081
Intergovernmental	13,486,136	1,077,537	83,418	0	14,647,091
Interest	394,409	2,815	34,593	1,514	433,331
Tuition and Fees	85,592	13,824	0	0	99,416
Rent	49,052	0	0	0	49,052
Extracurricular Activities	3,415	195,530	0	0	198,945
Gifts and Donations	0	65,758	0	13,457	79,215
Charges for Services	365,114	0	0	0	365,114
Miscellaneous	58,217	0	0	0	58,217
Total Revenues	35,054,016	1,355,464	118,011	14,971	36,542,462
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	14,759,645	52,074	225,614	0	15,037,333
Special	2,274,237	282,825	0	0	2,557,062
Vocational	237,368	0	0	0	237,368
Support Services:					
Pupils	1,695,120	171,630	0	0	1,866,750
Instructional Staff	1,143,015	305,355	0	0	1,448,370
Board of Education	34,617	0	0	0	34,617
Administration	2,525,736	7,768	2,797	0	2,536,301
Fiscal	671,786	0	0	0	671,786
Business	179,913	0	0	0	179,913
Operation and Maintenance of Plant	3,291,765	0	0	0	3,291,765
Pupil Transportation	2,154,792	469	0	0	2,155,261
Central	181,593	7,271	0	0	188,864
Operation of Non -					
Instructional Services	0	257,510	0	17,200	274,710
Extracurricular Activities	538,464	223,564	0	0	762,028
Capital Outlay	661,578	0	1,796,115	0	2,457,693
Total Expenditures	30,349,629	1,308,466	2,024,526	17,200	33,699,821
Excess of Revenues Over (Under) Expenditures	4,704,387	46,998	(1,906,515)	(2,229)	2,842,641
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	15,531	0	0	0	15,531
Proceeds of Long Term Loan	0	0	1,664,495	0	1,664,495
Operating Transfers In	191	46,348	650,000	0	696,539
Operating Transfers Out	(707,915)	0	0	0	(707,915)
Total Other Financing Sources (Uses)	(692,193)	46,348	2,314,495	0	1,668,650
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,012,194	93,346	407,980	(2,229)	4,511,291
Fund Balances at Beginning of Year	1,391,789	395,857	979,035	57,448	2,824,129
Decrease in Reserve for Inventory	(82,019)	(2,483)	0	0	(84,502)
Fund Balances at End of Year	\$5,321,964	\$486,720	\$1,387,015	\$55,219	\$7,250,918

See accompanying notes to the general purpose financial statements

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Milford Exempted Village School District
 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, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$18,583,980	\$18,583,980	\$0	\$0	\$0	\$0
Intergovernmental	13,351,136	13,351,136	0	1,153,962	972,671	(181,291)
Interest	385,718	385,718	0	2,752	2,752	0
Tuition and Fees	62,725	62,725	0	13,950	13,950	0
Rent	46,189	46,189	0	0	0	0
Extracurricular Activities	0	0	0	195,530	195,530	0
Gifts and Donations	0	0	0	65,758	65,758	0
Miscellaneous	58,575	58,575	0	0	0	0
Total Revenues	32,488,323	32,488,323	0	1,431,952	1,250,661	(181,291)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	14,322,275	14,240,145	82,130	70,998	52,134	18,864
Special	1,926,883	2,059,668	(132,785)	410,360	289,987	120,373
Vocational	299,493	231,184	68,309	0	0	0
Other	60,000	93,026	(33,026)	0	0	0
Support Services:						
Pupils	1,623,970	1,655,899	(31,929)	455,410	173,524	281,886
Instructional Staff	953,403	1,047,909	(94,506)	161,711	322,612	(160,901)
Board of Education	62,839	45,040	17,799	0	0	0
Administration	2,635,231	2,474,284	160,947	27,553	12,366	15,187
Fiscal	680,700	665,208	15,492	0	0	0
Business	159,267	173,695	(14,428)	0	0	0
Operation and Maintenance of Plant	3,977,594	3,569,316	408,278	0	0	0
Pupil Transportation	2,068,608	2,292,290	(223,682)	4,694	427	4,267
Central	182,360	183,806	(1,446)	105,996	22,431	83,565
Operation of Non-Instructional Services						
Extracurricular Activities	503,888	517,619	(13,731)	364,253	227,281	136,972
Capital Outlay	946,980	797,132	149,848	0	0	0
Total Expenditures	30,403,491	30,046,221	357,270	1,933,679	1,411,012	522,667
Excess of Revenues Over (Under) Expenditures	2,084,832	2,442,102	357,270	(501,727)	(160,351)	341,376
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	17,731	17,731	0	0	0	0
Proceeds from Sale of Long Term Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	4,998	4,998	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(3,974)	(3,974)	0
Operating Transfers In	191	191	0	45,000	45,000	0
Operating Transfers Out	(710,000)	(706,567)	3,433	0	0	0
Total Other Financing Sources (Uses)	(687,080)	(683,647)	3,433	41,026	41,026	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,397,752	1,758,455	360,703	(460,701)	(119,325)	341,376
Fund Balances at Beginning of Year	2,782,215	2,782,215	0	405,696	405,696	0
Prior Year Encumbrances Appropriated	836,328	836,328	0	47,251	47,251	0
Fund Balances (Deficits) at End of Year	\$5,016,295	\$5,376,998	\$360,703	(\$7,754)	\$333,622	\$341,376

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
279,852	279,852	0	0	0	0
33,694	33,694	0	1,482	1,482	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	13,457	13,457	0
0	0	0	0	0	0
313,546	313,546	0	14,939	14,939	0
424,797	225,614	199,183	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	2,797	(2,797)	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	75,387	40,700	34,687
0	0	0	0	0	0
1,353,285	1,319,225	34,060	0	0	0
1,778,082	1,547,636	230,446	75,387	40,700	34,687
(1,464,536)	(1,234,090)	230,446	(60,448)	(25,761)	34,687
0	0	0	0	0	0
1,664,495	1,664,495	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
650,000	650,000	0	0	0	0
0	0	0	0	0	0
2,314,495	2,314,495	0	0	0	0
849,959	1,080,405	230,446	(60,448)	(25,761)	34,687
818,008	818,008	0	33,448	33,448	0
161,027	161,027	0	24,000	24,000	0
\$1,828,994	\$2,059,440	\$230,446	(\$3,000)	\$31,687	\$34,687

Milford Exempted Village School District
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 Proprietary Fund Type and Nonexpendable Trust Fund
 For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Operating Revenues:</u>			
Sales	\$1,154,845	\$0	\$1,154,845
Charges for Services	382,128	0	382,128
Interest	0	684	684
Total Operating Revenues	1,536,973	684	1,537,657
<u>Operating Expenses:</u>			
Salaries	696,567	0	696,567
Fringe Benefits	298,859	0	298,859
Purchased Services	44,264	0	44,264
Materials and Supplies	232,082	0	232,082
Cost of Sales	718,824	0	718,824
Depreciation	18,689	0	18,689
Other	41	1,225	1,266
Total Operating Expenses	2,009,326	1,225	2,010,551
Operating Loss	(472,353)	(541)	(472,894)
<u>Non-Operating Revenues (Expenses):</u>			
Federal Donated Commodities	93,037	0	93,037
Federal and State Subsidies	172,050	0	172,050
Interest	3,299	0	3,299
Interest and Fiscal Charges	(3,341)	0	(3,341)
Total Non-Operating Revenues (Expenses)	265,045	0	265,045
Loss Before Operating Transfers	(207,308)	(541)	(207,849)
Operating Transfers In	11,567	0	11,567
Operating Transfers Out	(191)	0	(191)
Net Loss	(195,932)	(541)	(196,473)
Retained Earnings/Fund Balance at Beginning of Year	239,936	15,495	255,431
Retained Earnings/Fund Balance at End of Year	44,004	14,954	58,958
Contributed Capital at Beginning and End of Year	204,401	0	204,401
Total Fund Equity at End of Year	\$248,405	\$14,954	\$263,359

See accompanying notes to the general purpose financial statements

Milford Exempted Village School District
 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, 1999

	Enterprise Funds			Nonexpendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Sales	\$1,155,004	\$1,155,004	\$0	\$0	\$0	\$0
Charges for Services	361,768	361,768	0	0	0	0
Proceeds of Bonds	182,818	182,818	0	0	0	0
Federal and State Subsidies	172,050	172,050	0	0	0	0
Interest	3,158	3,158	0	669	669	0
Total Operating Revenues	1,874,798	1,874,798	0	669	669	0
<u>Expenses:</u>						
Salaries	724,838	724,838	0	0	0	0
Fringe Benefits	238,450	238,450	0	0	0	0
Purchased Services	56,067	56,067	0	0	0	0
Materials and Supplies	1,049,988	759,412	290,576	0	0	0
Capital Outlay	135,583	135,583	0	0	0	0
Other	40	40	0	16,164	1,875	14,289
Total Operating Expenses	2,204,966	1,914,390	290,576	16,164	1,875	14,289
Excess of Revenues Over (Under) Expenses	(330,168)	(39,592)	290,576	(15,495)	(1,206)	14,289
Operating Transfers In	11,567	11,567	0	0	0	0
Operating Transfers Out	0	(191)	(191)	0	0	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(318,601)	(28,216)	290,385	(15,495)	(1,206)	14,289
Fund Equity at Beginning of Year	582,462	582,462	0	14,270	14,270	0
Prior Year Encumbrances Appropriated	34,789	34,789	0	1,225	1,225	0
Fund Equity at End of Year	\$298,650	\$589,035	\$290,385	\$0	\$14,289	\$14,289

See accompanying notes to the general purpose financial statements

Milford Exempted Village School District
 Combined Statement of Cash Flows
 Proprietary Fund Type and Nonexpendable Trust Fund
 For the Fiscal Year Ended June 30, 1999
 (Continued)

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,516,772	\$0	\$1,516,772
Cash Payments to Suppliers for Goods and Services	(852,964)	0	(852,964)
Cash Payments to Employees for Services	(724,838)	0	(724,838)
Cash Payments for Employee Benefits	(238,450)	0	(238,450)
Cash Payments for Other Operating Expenses	(40)	(1,225)	(1,265)
<i>Net Cash Used for Operating Activities</i>	(299,520)	(1,225)	(300,745)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies	172,050	0	172,050
Operating Transfers In	11,567	0	11,567
Operating Transfers Out	(191)	0	(191)
<i>Net Cash Provided by Noncapital Financing Activities</i>	183,426	0	183,426
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds of Bonds	182,818	0	182,818
<i>Net Cash Provided By Capital and Related Financing Activities</i>	182,818	0	182,818
<u>Cash Flows from Investing Activities:</u>			
Interest	3,299	684	3,983
<i>Net Cash Provided by Investing Activities</i>	3,299	684	3,983
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	70,023	(541)	69,482
<i>Cash and Cash Equivalents at Beginning of Year</i>	617,251	15,495	632,746
<i>Cash and Cash Equivalents at End of Year</i>	\$687,274	\$14,954	\$702,228

(continued)

Milford Exempted Village School District
 Combined Statement of Cash Flows
 Proprietary Fund Type and Nonexpendable Trust Fund
 For the Fiscal Year Ended June 30, 1999
 (Continued)

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>			
Operating Loss	(\$472,353)	(\$541)	(\$472,894)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>			
Depreciation	18,689	0	18,689
Donated Commodities Used During Year	93,037	0	93,037
Interest received by the Nonexpendable Trust Fund	0	(684)	(684)
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(20,202)	0	(20,202)
Decrease in Inventory Held for Resale	6,397	0	6,397
Decrease in Materials and Supplies Inventory	1,813	0	1,813
Increase in Accounts Payable	42,623	0	42,623
Decrease in Due to Other Funds	(1,662)	0	(1,662)
Increase in Accrued Wages and Benefits	10,544	0	10,544
Increase in Compensated Absences Payable	24,129	0	24,129
Decrease in Intergovernmental Payable	(2,535)	0	(2,535)
<i>Total Adjustments</i>	172,833	(684)	172,149
<i>Net Cash Used for Operating Activities</i>	(\$299,520)	(\$1,225)	(\$300,745)

Reconciliation of Nonexpendable Trust Fund to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Funds	\$121,879
Cash and Cash Equivalents - Expendable Trust and Agency Funds	(106,925)

Cash and Cash Equivalents - Nonexpendable Trust Fund	\$14,954
	=====

See accompanying notes to the general purpose financial statements

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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 of Education controls the School District's seven instructional support facilities staffed by approximately 211 non-certificated, 339 teaching personnel and 19 administrative employees providing education to approximately 5,724 students.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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 the School District appoints a voting majority of the organizations's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 17 and 18 to the general purpose 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.

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

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.

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:

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

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.

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

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, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 object level within each fund and function. 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 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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, function, and object 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, or alter total function appropriations within a fund, or alter object appropriations within functions, 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, twelve 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 deposits.

During fiscal year 1999, investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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 1999 amounted to \$394,409, which includes \$69,961 assigned from other School District funds. The auxiliary service special revenue fund, permanent improvement capital projects fund, special trust expendable trust fund, lunchroom enterprise fund and endowment nonexpendable trust fund also received interest of \$2,815, \$34,593, \$1,514, \$3,299 and \$684, respectively.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 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.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Auxiliary Services
Career Development
Professional Development Block Grant
Education Management Information Systems
Title VI-B
Title I
Title VI
Drug Free Schools Program
Goals 2000

Capital Project Funds

School Net
School Net Plus

Reimbursable Grants

General Fund

Driver Education
Vocational Education Travel/Salary

Special Revenue Fund

ERate

Proprietary Funds

National School Lunch Program
Government Donated Commodities

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING Policies (Continued)

Grants and entitlements received in governmental funds amounted to forty percent of governmental fund revenue during the 1999 fiscal year.

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 for a negative cash balance in a fund 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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. Long-term loans are reported as a liability of the general long-term obligation account group until due. 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 budget stabilization. See Note 16 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 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, nonexpendable trust fund principal, school bus purchase allowance, and budget stabilization.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. 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 General Purpose Financial Statements

Total columns on the general purpose 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - COMPLIANCE

Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the School District had the following funds which had expenditures plus encumbrances in excess of appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Excess</u>
Special Revenue Fund:			
Title I			
Special Instruction			
Materials and Supplies	\$10,818	\$16,890	\$6,072
Support Service: Instructional Staff			
Salaries	19,065	27,954	8,889
Fringe Benefits	1,403	5,655	4,252
Capital Outlay	3,088	4,984	1,896
Non-Instructional Community Service			
Salaries	10,955	13,352	2,397

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).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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).

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			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$4,012,194	\$93,346	\$407,980	(\$2,229)
Adjustments:				
Revenue Accrual	(2,558,495)	(104,803)	(899)	(32)
Expenditure Accrual	748,285	6,122	673,324	0
Encumbrances	(444,877)	(112,642)	0	(23,500)
Transfers	1,348	(1,348)	0	0
Budget Basis	<u>\$1,758,455</u>	<u>(\$119,325)</u>	<u>\$1,081,405</u>	<u>(\$25,761)</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Net Loss/Excess of Revenues
Under Expenses and Operating Transfers
Proprietary Fund Type and Nonexpendable trust Fund

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$195,932)	(\$541)
Adjustments:		
Revenue Accruals	162,476	(15)
Expense Accruals	92,859	0
Depreciation Expense	18,689	0
Inventory Held for Resale	(6,397)	0
Materials and Supplies Inventory	(1,813)	0
Encumbrances	(98,098)	(650)
Budget Basis	(\$28,216)	(\$1,206)

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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;
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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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 was \$4,073,717 and the bank balance was \$4,287,995. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$3,987,995 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

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 is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Amount/ Fair Value
STAR Ohio	<hr/> \$5,193,141

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."

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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	\$9,266,858	\$0
Investments:		
STAR Ohio	(5,193,141)	5,193,141
GASB Statement No.3	\$4,073,717	\$5,193,141

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 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, 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. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

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 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$499,944,170	89.20%	\$520,624,800	89.26%
Public Utility Personal	32,779,961	5.85	34,155,250	5.86
Tangible Personal Property	27,748,290	4.95	28,485,940	4.88
Total Assessed Value	<u>\$560,472,421</u>	<u>100.00%</u>	<u>\$583,265,990</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.80		\$60.20	

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 taxes payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 1999. 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, 1999, was \$2,660,300 in the general fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of property taxes, accounts (rent, tuition, and student fees), intergovernmental and interfund. 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - RECEIVABLES

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
City of Milford abatement	\$135,000
Special Revenue Funds:	
Title VI-B	23,388
Title I	137,566
Total Special Revenue Funds	160,954
Total	\$295,954

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$405,296
Vehicles	49,420
Total	\$454,716
Less accumulated depreciation	(414,062)
Net Fixed Assets	\$40,654

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at June 30, 1998	Additions	Deletions	Balance at June 30, 1999
Buildings	\$20,036,192	\$548,840	\$0	\$20,585,032
Land and Improvements	337,168	382,100	0	719,268
Furniture and Equipment	4,615,001	446,884	5,307	5,056,578
Vehicles	2,584,431	263,770	187,297	2,660,904
Textbooks	1,140,202	0	0	1,140,202
Totals	\$28,712,994	\$1,641,594	\$192,604	\$30,161,984

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 1999, the School District contracted with Indiana Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$61,519,092
Inland Marine Coverage (\$250 deductible)	706,900
Boiler and Machinery	No limit
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

The claims liability of \$11,938 reported in the general fund at June 30, 1999, 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:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
1998	\$15,758	\$264,846	\$254,861	\$25,743
1999	\$25,743	\$285,211	\$299,016	\$11,938

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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$326,959, \$566,490, and \$423,589, respectively; 37 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$205,649 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. 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, 1999, 1998, and 1997 were \$871,585, \$1,329,887, and \$1,564,584, respectively; 81 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$167,921 represents the unpaid contribution for fiscal year 1999 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$1,162,113 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, 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 1999 fiscal year equaled \$377,888.

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, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 12 - EMPLOYEE BENEFITS (Continued)

B. Life Insurance

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

C. Employee Medical Benefits

The School District has elected to provide employee medical/surgical benefits through Pacificare. The provider offers two plans to the School District's employees. The preferred patient plan costs \$187.19 for single and \$440.63 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 \$157.45 and family is \$371.29 with a \$5 co-pay.

NOTE 13 - LONG TERM DEBT

Changes in long-term obligations of the School District during the 1999 fiscal year were as follows:

	Amount Outstanding <u>June 30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	Amount Outstanding <u>June 30, 1999</u>
<u>General Obligation</u>				
Energy Conservation Loan 2014 5.07%	\$0	\$1,664,495	\$0	\$1,664,495
Compensated Absences	1,852,582	0	376,223	1,476,359
Intergovernmental Payable	220,963	279,671	220,963	279,671
Total General				
Long-term Obligations	<u>2,073,545</u>	<u>1,944,166</u>	<u>597,186</u>	<u>3,420,525</u>
<u>Proprietary</u>				
General Obligation Bonds 2004 4.60%	0	182,818	0	182,818
Compensated Absences	37,805	24,129	0	61,934
Intergovernmental Payable	47,186	32,794	0	79,980
Total Proprietary	<u>84,991</u>	<u>239,741</u>	<u>0</u>	<u>324,732</u>
Total All Funds	<u><u>\$2,158,536</u></u>	<u><u>\$2,183,907</u></u>	<u><u>\$597,186</u></u>	<u><u>\$3,745,257</u></u>

Energy Conservation Loans - On January 21, 1999, 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 were retired from the debt service fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - LONG TERM DEBT (Continued)

Classroom Acquisition General Obligation Bonds - On January 21, 1999, 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 will be retired from the latchkey enterprise fund.

The School District's overall legal debt margin was \$52,311,121 with an energy conservation debt margin of \$3,584,899 and an unvoted debt margin of \$583,266 at June 30, 1999.

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.

Fiscal Year Ending June 30,	Energy Conservation Loan			General Obligation Bond		
	Principal	Interest	Total	Principal	Interest	Total
2000	\$76,360	\$83,434	\$159,794	\$36,400	\$7,991	\$44,391
2001	80,281	79,514	159,795	36,400	6,314	42,717
2002	84,403	75,392	159,795	36,400	4,642	41,042
2003	88,736	71,058	159,794	36,400	2,968	39,368
2004	93,292	66,502	159,794	37,218	1,293	38,511
2005-2009	543,420	255,552	798,942	0	0	0
2010-2014	698,003	100,969	798,972	0	0	0
Totals	<u>\$1,664,495</u>	<u>\$732,421</u>	<u>\$2,396,916</u>	<u>\$182,818</u>	<u>\$23,208</u>	<u>\$206,029</u>

NOTE 14 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual receivables and payables:

	Due From Other Funds	Interfund Receivable	Due to Other Funds	Interfund Payable
General Fund	\$3,415	\$26,863	\$0	\$0
Special Revenue Funds:				
District Managed Activities	0	0	3,415	0
Title I	0	0	0	26,863
Total Special Revenue Funds	0	0	3,415	26,863
Total All Funds	<u>\$3,415</u>	<u>\$26,863</u>	<u>\$3,415</u>	<u>\$26,863</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four 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, 1999.

	Food Service	Uniform School Supplies	Adult Education	Latchkey	Total
Operating Revenues	\$878,992	\$275,853	\$0	\$382,128	\$1,536,973
Depreciation	17,463	0	0	1,226	18,689
Operating Loss	(384,706)	(16,542)	0	(71,105)	(472,353)
Donated Commodities	93,037	0	0	0	93,037
Federal and State Subsidies	172,050	0	0	0	172,050
Net Other Non-Operating Revenues and Expenses	3,299	0	0	(3,341)	(42)
Operating Transfers	0	11,567	(191)	0	11,376
Net Loss	(116,320)	(4,975)	(191)	(74,446)	(195,932)
Net Working Capital	116,460	76,989	0	339,031	532,480
Total Assets	257,376	94,177	0	455,694	807,247
Long term Obligations:					
Compensated Absences	58,033	0	0	3,901	61,934
Intergovernmental Payable	51,878	0	0	28,102	79,980
General Obligation Bonds	0	0	0	182,818	182,818
Total Equity	28,942	77,846	0	141,617	248,405
Encumbrances June 30, 1999	0	9,763	0	88,335	98,098

NOTE 16 - 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 is also required to set aside money for budget stabilization. The School District also received monies for school bus purchases. This amount is shown as a reserve for school bus purchase allowance.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$165,817	\$165,817
Current Year Set-aside Requirement	492,309	492,309	246,155	1,230,773
Current Year Offsets	(82,389)	(650,000)	0	(732,389)
Qualifying Disbursements	(1,161,514)	(2,484,893)	0	(3,646,407)
Total	<u>(751,594)</u>	<u>(2,642,583)</u>	<u>411,972</u>	<u>(2,982,206)</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$411,972</u>	<u>\$411,972</u>
Amount restricted for School Bus Purchase Allowance				<u>109,700</u>
Total Restricted Assets				<u>\$521,672</u>

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

NOTE 17 -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 \$14,842 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 18 - 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.

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's Aschool foundation program[@], which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$10,916,560 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 20 - 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, 1999.

B. Litigation:

As of June 30, 1999, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU	10.550	\$0	\$96,191	\$0	\$93,037
National School Lunch	04-PU	10.555	<u>164,452</u>		<u>164,452</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>164,452</u>	<u>96,191</u>	<u>164,452</u>	<u>93,037</u>
U.S. DEPARTMENT OF EDUCATION						
FCC - E-rate		84.xxx	59,040		12,338	
<i>Passed through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	210,528		220,283	
Special Education - Preschool Grant	PG-S1	84.173	<u>14,196</u>		<u>8,558</u>	
Total Special Education Cluster			<u>224,724</u>	<u>0</u>	<u>228,841</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	267,875		346,584	
Innovative Educational Program Strategies	C2-S1	84.298	22,911		39,343	
Eisenhower Prof. Development State Grants	MS-S1	84.281	19,512		13,968	
Safe and Drug-Free Schools and Communities: State Grant	DR-S1	84.186	30,401		19,487	
<i>Passed Through U.S. Grant Joint Vocational School:</i>						
Vocational Education - Basic Grants to State		84.048	12,715		10,291	
Total Department of Education			<u>637,178</u>	<u>0</u>	<u>670,852</u>	<u>0</u>
Totals			<u>\$801,630</u>	<u>\$96,191</u>	<u>\$835,304</u>	<u>\$93,037</u>

The accompanying notes to this schedule are an integral part of this schedule.

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

Nonmonetary 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, 1999, 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.



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

Milford Exempted Village School District
Clermont County
525 Lila Avenue
Milford, Ohio 45150

To the Board of Education:

We have audited the financial statements of Milford Exempted Village School District as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated March 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Milford Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Milford Exempted Village School District in a separate letter dated March 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Milford Exempted Village School 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.

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

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 Milford Exempted Village School District in a separate letter dated March 20, 2000.

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

Jim Petro
Auditor of State

March 20, 2000



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

Milford Exempted Village School District
Clermont County
525 Lila Avenue
Milford, Ohio 45150

To the Board of Education:

Compliance

We have audited the compliance of Milford Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 1999. Milford Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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 Milford Exempted Village School District's compliance with those requirements.

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

However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of Milford Exempted Village School District in a separate letter dated March 20, 2000.

Internal Control Over Compliance

The management of Milford Exempted Village School 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 Milford Exempted Village School 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.

However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of Milford Exempted Village School District in a separate letter dated March 20, 2000.

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

Jim Petro
Auditor of State

March 20, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
APRIL 4, 2000**