



**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

SINGLE AUDIT

JULY 1, 1999 THROUGH JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Milton-Union Exempted Village School District
Miami County
112 South Spring Street
West Milton, Ohio 45383

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Milton-Union Exempted Village School District, Miami County, ("the District") as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose 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 Milton-Union Exempted Village School District, Miami County, as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund types for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 30, 2000

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
<i>Assets:</i>				
Cash and Cash Equivalents	\$1,023,164	\$169,806	\$253	\$705,328
Investments	1,814,590	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	3,680,135	0	0	358,676
Accounts	8,120	1,044	0	0
Interest	20,415	0	0	0
Intergovernmental	4,409	0	0	0
Interfund Loan Receivable	600,000	0	0	0
Inventory of Supplies at Cost	16,549	0	0	0
Prepaid Items	13,641	4,058	0	0
Restricted Assets:				
Cash and Cash Equivalents	180,712	0	0	0
Cash with Fiscal Agent	0	8,886	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Construction in Progress	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$7,361,735	\$183,794	\$253	\$1,064,004
Liabilities, Equity and Other Credits:				
<i>Liabilities:</i>				
Accounts Payable	\$68,198	\$6,364	\$0	\$109,648
Accrued Wages and Benefits	940,006	12,371	0	0
Interfund Loan Payable	0	0	0	500,000
Intergovernmental Payables	194,877	1,857	0	0
Due to Students	0	0	0	0
Due to Others	0	0	0	0
Claims Payable	0	0	0	0
Deferred Revenue - Taxes	3,500,289	0	0	342,160
Deferred Revenue	0	0	0	0
Capital Lease Payable	0	0	0	0
Compensated Absences Payable	0	0	0	0
Installment Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	4,703,370	20,592	0	951,808
<i>Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Deficit):				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	26,282	3,862	0	527,122
Reserved for Property Taxes	174,523	0	0	15,923
Statutory Reserves	180,712	0	0	0
Reserved for Inventory of Supplies	16,549	0	0	0
Reserved for Prepaid Items	13,641	4,058	0	0
Reserved for Debt Service	0	0	253	0
Unreserved:				
Undesignated	2,246,658	155,282	0	(430,849)
Total Equity and Other Credits	2,658,365	163,202	253	112,196
Total Liabilities, Equity and Other Credits	\$7,361,735	\$183,794	\$253	\$1,064,004

The notes to the general purpose financial statements are an integral part of this statement.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$68,483	\$34,156	\$61,588	\$0	\$0	\$2,062,778
0	0	32,768	0	0	1,847,358
0	0	0	0	0	4,038,811
0	182	0	0	0	9,346
0	0	0	0	0	20,415
0	0	0	0	0	4,409
0	0	0	0	0	600,000
8,071	0	0	0	0	24,620
0	0	0	0	0	17,699
0	0	0	0	0	180,712
0	0	0	0	0	8,886
40,749	0	0	5,811,371	0	5,852,120
0	0	0	30,731	0	30,731
0	0	0	0	253	253
0	0	0	0	1,384,597	1,384,597
\$117,303	\$34,338	\$94,356	\$5,842,102	\$1,384,850	\$16,082,735
\$2,108	\$0	\$227	\$0	\$0	\$186,545
30,195	0	0	0	0	982,572
0	100,000	0	0	0	600,000
34,772	0	0	0	87,083	318,589
0	0	33,278	0	0	33,278
0	0	2,795	0	0	2,795
0	60,651	0	0	0	60,651
0	0	0	0	0	3,842,449
3,440	0	0	0	0	3,440
0	0	0	0	111,405	111,405
19,767	0	0	0	865,470	885,237
0	0	0	0	33,392	33,392
0	0	0	0	287,500	287,500
90,282	160,651	36,300	0	1,384,850	7,347,853
0	0	0	5,842,102	0	5,842,102
27,021	(126,313)	0	0	0	(99,292)
0	0	50	0	0	557,316
0	0	0	0	0	190,446
0	0	0	0	0	180,712
0	0	0	0	0	16,549
0	0	0	0	0	17,699
0	0	0	0	0	253
0	0	58,006	0	0	2,029,097
27,021	(126,313)	58,056	5,842,102	0	8,734,882
\$117,303	\$34,338	\$94,356	\$5,842,102	\$1,384,850	\$16,082,735

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
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, 2000

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expensible Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$3,651,083	\$0	\$0	\$354,290	\$0	\$4,005,373
Tuition	33,614	0	0	0	0	33,614
Transportation Fees	53,894	0	0	0	0	53,894
Investment Earnings	215,455	0	0	0	865	216,320
Extracurricular Activities	0	166,221	0	0	0	166,221
Class Materials and Fees	9,676	0	0	0	0	9,676
Intermediate Sources	0	3,000	0	0	0	3,000
Intergovernmental - State	5,798,072	98,930	0	250,074	0	6,147,076
Intergovernmental - Federal	16,215	401,237	0	0	0	417,452
All Other Revenues	6,536	3,363	0	113,214	12,625	135,738
Total Revenues	9,784,545	672,751	0	717,578	13,490	11,188,364
Expenditures:						
Current:						
Instruction	5,741,431	298,357	0	0	0	6,039,788
Supporting Services:						
Pupils	616,007	13,892	0	0	7,500	637,399
Instructional Staff	471,368	134,709	0	0	0	606,077
Board of Education	67,574	0	0	0	0	67,574
Administration	731,868	71,724	0	0	0	803,592
Fiscal Services	299,890	4,203	0	6,922	10	311,025
Business	105,775	0	0	0	0	105,775
Operation and Maintenance of Plant	675,766	0	0	185,018	20	860,804
Pupil Transportation	574,481	75	0	36,874	0	611,430
Central	182,919	8,248	0	385	0	191,552
Extracurricular Activities	184,056	146,275	0	0	0	330,331
Capital Outlay	0	0	0	458,302	0	458,302
Debt Service:						
Principal Retirement	0	0	90,891	0	0	90,891
Interest and Fiscal Charges	0	0	25,473	0	0	25,473
Total Expenditures	9,651,135	677,483	116,364	687,501	7,530	11,140,013
Excess (Deficiency) of Revenues Over (Under) Expenditures	133,410	(4,732)	(116,364)	30,077	5,960	48,351
Other Financing Sources (Uses):						
Operating Transfers In	0	0	92,364	0	0	92,364
Operating Transfers Out	(92,364)	0	0	0	0	(92,364)
Other Financing Source - Capital Lease	0	0	0	143,722	0	143,722
Total Other Financing Sources (Uses)	(92,364)	0	92,364	143,722	0	143,722
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	41,046	(4,732)	(24,000)	173,799	5,960	192,073
Fund Balance (Deficit) Beginning of Year	2,618,701	167,934	24,253	(61,603)	52,096	2,801,381
Decrease in Inventory Reserve	(1,382)	0	0	0	0	(1,382)
Fund Balance End of Year	\$2,658,365	\$163,202	\$253	\$112,196	\$58,056	\$2,992,072

The notes to the general purpose financial statements are an integral part of this statement.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$3,763,542	\$3,763,542	\$0	\$0	\$0	\$0
Tuition	33,614	33,614	0	0	0	0
Transportation Fees	67,436	67,436	0	0	0	0
Investment Earnings	180,000	195,040	15,040	0	0	0
Extracurricular Activities	0	0	0	174,599	168,491	(6,108)
Class Materials and Fees	3,000	1,600	(1,400)	0	0	0
Intermediate Sources	0	0	0	3,000	3,000	0
Intergovernmental - State	5,755,270	5,796,422	41,152	98,868	98,930	62
Intergovernmental - Federal	0	0	0	411,841	386,841	(25,000)
All Other Revenues	4,726	4,406	(320)	3,364	3,363	(1)
Total Revenues	9,807,588	9,862,060	54,472	691,672	660,625	(31,047)
Expenditures:						
<i>Current:</i>						
Instruction	5,863,666	5,774,330	89,336	359,066	317,316	41,750
Supporting Services:						
Pupils	589,307	587,650	1,657	17,550	16,236	1,314
Instructional Staff	428,027	425,075	2,952	155,270	135,790	19,480
Board of Education	78,007	73,454	4,553	0	0	0
Administration	754,353	735,019	19,334	71,213	74,831	(3,618)
Fiscal Services	325,523	301,756	23,767	5,274	2,200	3,074
Business	104,072	103,889	183	0	0	0
Operation and Maintenance of Plant	704,722	690,294	14,428	0	0	0
Pupil Transportation	588,537	587,892	645	0	75	(75)
Central	224,923	193,104	31,819	4,939	4,379	560
Extracurricular Activities	183,626	183,626	0	149,711	146,438	3,273
Capital Outlay	0	0	0	0	0	0
<i>Debt Service:</i>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,844,763	9,656,089	188,674	763,023	697,265	65,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,175)	205,971	243,146	(71,351)	(36,640)	34,711
Other Financing Sources (Uses):						
Refunds of Prior Years' Expenses	4,298	4,298	0	0	0	0
Operating Transfers In	0	0	0	567	0	(567)
Operating Transfers Out	(92,364)	(92,364)	0	0	0	0
Advances In	526,175	526,175	0	6,000	6,000	0
Advances Out	(627,000)	(627,000)	0	(22,274)	(22,274)	0
Total Other Financing Sources (Uses)	(188,891)	(188,891)	0	(15,707)	(16,274)	(567)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(226,066)	17,080	243,146	(87,058)	(52,914)	34,144
Fund Balance at Beginning of Year	2,726,829	2,726,829	0	188,087	188,087	0
Prior Year Encumbrances	156,567	156,567	0	26,189	26,189	0
Fund Balance at End of Year	\$2,657,330	\$2,900,476	\$243,146	\$127,218	\$161,362	\$34,144

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$0	\$0	\$0	\$366,729	\$366,729	\$0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Class Materials and Fees	0	0	0	0	0	0
Intermediate Sources	0	0	0	0	0	0
Intergovernmental - State	0	0	0	250,873	250,474	(399)
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	113,314	113,214	(100)
Total Revenues	0	0	0	730,916	730,417	(499)
Expenditures:						
<i>Current:</i>						
Instruction	0	0	0	0	0	0
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	6,600	6,922	(322)
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	185,017	185,018	(1)
Pupil Transportation	0	0	0	69,899	36,874	33,025
Central	0	0	0	25,507	400	25,107
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	1,010,645	999,797	10,848
<i>Debt Service:</i>						
Principal Retirement	90,892	90,891	1	0	0	0
Interest and Fiscal Charges	25,473	25,473	0	0	0	0
Total Expenditures	116,365	116,364	1	1,297,668	1,229,011	68,657
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,365)	(116,364)	1	(566,752)	(498,594)	68,158
Other Financing Sources (Uses):						
Refunds of Prior Years' Expenses	0	0	0	25,056	25,056	0
Operating Transfers In	92,364	92,364	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	500,000	500,000	0
Advances Out	0	0	0	(470,901)	(470,901)	0
Total Other Financing Sources (Uses)	92,364	92,364	0	54,155	54,155	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(24,001)	(24,000)	1	(512,597)	(444,439)	68,158
Fund Balance at Beginning of Year	24,253	24,253	0	92,968	92,968	0
Prior Year Encumbrances	0	0	0	420,029	420,029	0
Fund Balance at End of Year	\$252	\$253	\$1	\$400	\$68,558	\$68,158

(Continued)

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local Sources:			
Taxes	\$4,130,271	\$4,130,271	\$0
Tuition	33,614	33,614	0
Transportation Fees	67,436	67,436	0
Investment Earnings	180,000	195,040	15,040
Extracurricular Activities	174,599	168,491	(6,108)
Class Materials and Fees	3,000	1,600	(1,400)
Intermediate Sources	3,000	3,000	0
Intergovernmental - State	6,105,011	6,145,826	40,815
Intergovernmental - Federal	411,841	386,841	(25,000)
All Other Revenues	121,404	120,983	(421)
Total Revenues	<u>11,230,176</u>	<u>11,253,102</u>	<u>22,926</u>
Expenditures:			
<i>Current:</i>			
Instruction	6,222,732	6,091,646	131,086
Supporting Services:			
Pupils	606,857	603,886	2,971
Instructional Staff	583,297	560,865	22,432
Board of Education	78,007	73,454	4,553
Administration	825,566	809,850	15,716
Fiscal Services	337,397	310,878	26,519
Business	104,072	103,889	183
Operation and Maintenance of Plant	889,739	875,312	14,427
Pupil Transportation	658,436	624,841	33,595
Central	255,369	197,883	57,486
Extracurricular Activities	333,337	330,064	3,273
Capital Outlay	1,010,645	999,797	10,848
<i>Debt Service:</i>			
Principal Retirement	90,892	90,891	1
Interest and Fiscal Charges	25,473	25,473	0
Total Expenditures	<u>12,021,819</u>	<u>11,698,729</u>	<u>323,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(791,643)	(445,627)	346,016
Other Financing Sources (Uses):			
Refunds of Prior Years' Expenses	29,354	29,354	0
Operating Transfers In	92,931	92,364	(567)
Operating Transfers Out	(92,364)	(92,364)	0
Advances In	1,032,175	1,032,175	0
Advances Out	(1,120,175)	(1,120,175)	0
Total Other Financing Sources (Uses)	<u>(58,079)</u>	<u>(58,646)</u>	<u>(567)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(849,722)	(504,273)	345,449
Fund Balance at Beginning of Year	3,032,137	3,032,137	0
Prior Year Encumbrances	602,785	602,785	0
Fund Balance at End of Year	<u>\$2,785,200</u>	<u>\$3,130,649</u>	<u>\$345,449</u>

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Tuition and Fees	\$91,734	\$0	\$91,734
Sales	355,776	0	355,776
Other Operating Revenues	327	650,163	650,490
Total Operating Revenues	447,837	650,163	1,098,000
<u>Operating Expenses:</u>			
Salaries and Wages	151,873	0	151,873
Fringe Benefits	73,046	0	73,046
Contractual Services	2,910	776,476	779,386
Materials and Supplies	322,561	0	322,561
Depreciation	4,355	0	4,355
Other Operating Expenses	20	0	20
Total Operating Expenses	554,765	776,476	1,331,241
Operating Loss	(106,928)	(126,313)	(233,241)
<u>Nonoperating Revenues:</u>			
Operating Grants	99,047	0	99,047
Federally Donated Commodities	21,727	0	21,727
Investment Earnings	1,480	0	1,480
Refund of Prior Year's Expenses	193	0	193
Loss on Sale of Fixed Assets	(233)	0	(233)
Total Nonoperating Revenues	122,214	0	122,214
Net Income (Loss)	15,286	(126,313)	(111,027)
Retained Earnings at Beginning of Year	11,735	0	11,735
Retained Earnings (Deficit) at End of Year	\$27,021	(\$126,313)	(\$99,292)

The notes to the general purpose financial statements are an integral part of this statement.

MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<i>Enterprise Funds</i>	<i>Internal Service Fund</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$356,296	\$0	\$356,296
Cash Received from Tuition and Fee Payments	92,047	0	92,047
Cash Received from Interfund Charges	0	650,163	650,163
Cash Payments for Goods and Services	(305,566)	(716,007)	(1,021,573)
Cash Payments to Employees for Services and Benefits	(216,633)	0	(216,633)
Net Cash Used by Operating Activities	<u>(73,856)</u>	<u>(65,844)</u>	<u>(139,700)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Federal and State Subsidies Received	112,872	0	112,872
Advances In from Other Funds	21,000	100,000	121,000
Advances Out to Other Funds	(33,000)	0	(33,000)
Net Cash Provided by Noncapital Financing Activities	<u>100,872</u>	<u>100,000</u>	<u>200,872</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(897)	0	(897)
Net Cash Used for Capital and Related Financing Activities	<u>(897)</u>	<u>0</u>	<u>(897)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	1,480	0	1,480
Net Cash Provided by Investing Activities	<u>1,480</u>	<u>0</u>	<u>1,480</u>
Net Increase in Cash and Cash Equivalents	27,599	34,156	61,755
Cash and Cash Equivalents at Beginning of Year	40,884	0	40,884
Cash and Cash Equivalents at End of Year	<u>\$68,483</u>	<u>\$34,156</u>	<u>\$102,639</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>			
Operating Loss	(\$106,928)	(\$126,313)	(\$233,241)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation Expense	4,355	0	4,355
Donated Commodities Used During the Year	21,727	0	21,727
Refund of Prior Years' Expenses	193	0	193
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	313	(182)	131
Increase in Inventory	(615)	0	(615)
Decrease in Prepaid Items	134	0	134
Decrease in Accounts Payable	(2,705)	0	(2,705)
Increase in Accrued Wages and Benefits	6,940	0	6,940
Increase in Intergovernmental Payables	366	0	366
Increase in Deferred Revenue	1,384	0	1,384
Increase in Claims Payable	0	60,651	60,651
Increase in Compensated Absences	980	0	980
Total Adjustments	<u>33,072</u>	<u>60,469</u>	<u>93,541</u>
Net Cash Used by Operating Activities	<u>(\$73,856)</u>	<u>(\$65,844)</u>	<u>(\$139,700)</u>

The notes to the general purpose financial statements are an integral part of this statement.

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MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Milton-Union Exempted Village School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," which requires that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on the District. There were no potential component units that met the criteria imposed by GASB 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/ expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

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

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These 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).

Proprietary Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body 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.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund and two agency funds. The expendable trust fund is accounted for and reported similarly to a governmental fund. Agency funds are custodial in nature (assets equal liabilities) and do 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 fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except that accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at fiscal year end includes property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Property taxes measurable as of June 30, 2000, but which are not intended to finance fiscal year 2000 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*,” the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

D. 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 appropriation resolution are subject to amendment throughout the year.

All funds, other than the agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the function level within the General Fund and at the fund level in all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20th of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission’s Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1st of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1st of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund, department and object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$41,046	(\$4,732)	(\$24,000)	\$173,799
Increase (Decrease):				
Accrued Revenues at June 30, 2000, received during FY 2001	(812,790)	(1,044)	0	(16,516)
Accrued Revenues at June 30, 1999, received during FY 2000	805,695	2,824	0	29,355
Accrued Expenditures at June 30, 2000, paid during FY 2001	1,203,081	20,592	0	609,648
Accrued Expenditures at June 30, 1999, paid during FY 2000	(1,098,598)	(53,587)	0	(603,955)
Revenues of Unbudgeted Fund	0	(10,527)	0	0
Expenditures of Unbudgeted Fund	0	3,423	0	0
FY 1999 Prepays for FY 2000	10,277	4,421	0	0
FY 2000 Prepays for FY 2001	(13,641)	(4,058)	0	0
Encumbrances Outstanding	(117,990)	(10,226)	0	(636,770)
Budget Basis	<u>\$17,080</u>	<u>(\$52,914)</u>	<u>(\$24,000)</u>	<u>(\$444,439)</u>

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. See Note 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The District has invested funds in the STAR Ohio during 2000. 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, 2000. See Note 3, "Cash, Cash Equivalents and Investments."

G. Inventory and Prepaid Items

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and expenses in the proprietary funds when used.

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 the proprietary fund consist of donated food, purchased food, and non-food supplies.

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

1. Property, Plant and Equipment - General Governmental Purposes (Continued)

General fixed asset values were initially determined at June 30, 1994 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. The District has elected not to record depreciation in the General Fixed Asset Account Group. Assets valued at less than \$500 are not capitalized.

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. Assets valued at less than \$150 are not capitalized.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (years)</u>
Machinery, Equipment, Furniture and Fixtures	5-20

I. Long-Term Obligations

Long-Term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Obligation Bond Retirement Fund
Installment Notes	General Obligation Bond Retirement Fund
Intergovernmental Payable	General Fund, Food Services Fund
Compensated Absences	General Fund, Title VI-B Fund, Chapter I Fund, Drug Free School Grant Fund, Food Services Fund
Capital Lease	Permanent Improvement Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," compensated absences are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Vacation may accumulate up to a maximum of one and one half times the employee's annual vacation allowance. Sick leave

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year. Upon retirement, employees will receive one-third of the accumulated sick leave up to a maximum of 55 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as Other Financing Sources and Uses in the governmental funds, as "Operating transfers in" by the recipient fund, and "Operating transfers out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers made during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Restricted Assets

Restricted assets represent cash and cash equivalents set aside to establish reserves for textbooks, capital acquisition, and budget stabilization. This reserve is required by state statute.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, statutory requirements, and encumbered amounts which have not been accrued at fiscal year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriations under state statute.

O. 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.

P. Total Columns on Combined Financial Statements - Overview

Total columns on the Combined Statements-Overview are captioned "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, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at June 30, 2000 of \$237 in the Title VI-B Fund, \$357 in the Chapter I Fund, and \$6,158 in the Other Federal Grants Fund (special revenue) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting. The fund deficits at June 30, 2000 of \$9,298 in the Food Service Fund (enterprise), and \$126,313 in the Self Insurance Fund (internal service) arise from the recognition of expenses on the accrual basis which are greater than expenses recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2000, expenditures exceeded appropriations at the fund level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
Public School Support	\$2,441
Career Development	20

The excess expenditures were funded from available fund balances.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Uncollateralized. (This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.)

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

A. Deposits

At fiscal year end the carrying amount of the District's deposits was \$388,560 and the bank balance was \$563,222. The Federal Deposit Insurance Corporation (FDIC) covered \$200,000 of the bank balance, and all remaining deposits were classified as Category 3.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$215,455, which includes \$22,629 assigned from other District funds.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The District's investments at June 30, 2000 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U.S. Treasury Notes	\$0	\$595,265	\$595,265
Federal Home Loan Bank Notes	0	224,236	224,236
Federal Home Loan Mortgage Corporation Notes	0	291,338	291,338
Federal National Mortgage Association Notes	0	692,751	692,751
Repurchase Agreements	87,365	0	87,365
Total Categorized Investments	87,365	1,803,590	1,890,955
Non-Categorized Investments			
STAR Ohio	N/A	N/A	1,811,333
Total Investments	<u>\$87,365</u>	<u>\$1,803,590</u>	<u>\$3,702,288</u>

C. Cash with Fiscal Agent

The District has cash with fiscal agent in the amount of \$8,886. This amount represents uninsured and uncollateralized cash being held by the Miami County Educational Service Center.

D. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,243,490	\$1,847,358
Investments:		
STAR Ohio	(1,811,333)	1,811,333
Repurchase Agreements	(87,365)	87,365
Certificates of Deposit (with maturities of more than 3 months)	43,768	(43,768)
Per GASB Statement No. 3	<u>\$388,560</u>	<u>\$3,702,288</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the District. Real property taxes (other than public utility) collected during 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Milton-Union Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected.

The assessed value upon which the fiscal year 2000 receipts were based are:

	1999 Second Half	2000 First Half
	Collections	Collections
Agricultural/Residential and Other Real Estate	\$122,642,550	\$125,118,160
Public Utility Personal	13,851,080	13,871,410
Tangible Personal Property	5,706,950	6,045,240
Total Assessed Value	\$142,200,580	\$145,034,810
Tax rate per \$1,000 of assessed valuation	\$58.48	\$58.48

NOTE 5 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

NOTE 6 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for the fiscal year 2000:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$92,364
Debt Service Fund:		
Bond Retirement Fund	92,364	0
Total All Funds	\$92,364	\$92,364

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2000:

	Interfund Loan Receivables	Interfund Loan Payables
General Fund	\$600,000	\$0
Capital Projects Fund:		
Permanent Improvement Fund	0	500,000
Internal Service Fund:		
Self Insurance Fund	0	100,000
Totals	\$600,000	\$600,000

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Class	June 30, 1999	Additions	Deletions	June 30, 2000
Land	\$220,507	\$0	\$0	\$220,507
Buildings	2,248,082	255,045	0	2,503,127
Machinery and Equipment	1,971,327	349,929	(211,401)	2,109,855
Vehicles	887,047	144,510	(53,675)	977,882
Construction in Progress	217,851	30,731	(217,851)	30,731
Totals	\$5,544,814	\$780,215	(\$482,927)	\$5,842,102

B. Proprietary Fixed Assets

Summary by category at June 30, 2000:

Category	Historical Cost	Accumulated Depreciation	Book Value
Machinery and Equipment	\$171,491	(\$130,742)	\$40,749
Total Property, Plant and Equipment	\$171,491	(\$130,742)	\$40,749

NOTE 9 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2000, 5.5% was allocated to fund the pension benefit and 8.5% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2000, 1999, and 1998 were \$193,002, \$168,786, and \$155,454, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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% of the premium. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 8.5%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2000, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$164,371.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 51,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available) were \$126,380,984 and the target level was \$189.6 million. Net assets available for payment of benefits at June 30, 1999 was \$188.0 million.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**B. State Teachers Retirement System of Ohio (STRS of Ohio)**

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2000, 6% was allocated to fund the pension benefit and 8% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2000, 1999, and 1998 were \$712,932, \$701,976, and \$652,944, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 2% of covered payroll, to a Health Care Reserve Fund. However, for the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund, which amounted to \$407,390 for the District. The balance of the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, the net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

NOTE 10 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at fiscal year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2000, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group were:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$827,245	\$38,225	\$865,470

The portion attributable to the enterprise funds has been recorded within the respective fund and is not included in the figures presented above.

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-Term debt and other long-term obligations of the District at June 30, 2000 were as follows:

		Balance	Issued	Balance
		<u>June 30, 1999</u>	<u>(Retired)</u>	<u>June 30, 2000</u>
General Long-Term Debt:				
(General Obligation Bond)				
Energy Conservation - 1994	5.98%	\$345,000	(\$57,500)	\$287,500
(Installment Note)				
Energy Conservation - 1990	7.25%	<u>66,783</u>	<u>(33,391)</u>	<u>33,392</u>
Total General Long-Term Debt		<u>411,783</u>	<u>(90,891)</u>	<u>320,892</u>
Other General Long-Term Obligations:				
Capital Lease Payable		0	143,722	
			(32,317)	111,405
Intergovernmental Payable		78,886	8,197	87,083
Compensated Absences		<u>874,146</u>	<u>(8,676)</u>	<u>865,470</u>
Total Other General Long-Term Obligations		<u>953,032</u>	<u>110,926</u>	<u>1,063,958</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$1,364,815</u>	<u>\$20,035</u>	<u>\$1,384,850</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2000 follows:

<u>Years</u>	<u>General Obligation Bond</u>		<u>Note</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$57,500	\$17,193	\$33,392	\$2,421	\$90,892	\$19,614
2002	57,500	13,754	0	0	57,500	13,754
2003	57,500	10,316	0	0	57,500	10,316
2004	57,500	6,877	0	0	57,500	6,877
2005	<u>57,500</u>	<u>3,439</u>	<u>0</u>	<u>0</u>	<u>57,500</u>	<u>3,439</u>
Totals	<u>\$287,500</u>	<u>\$51,579</u>	<u>\$33,392</u>	<u>\$2,421</u>	<u>\$320,892</u>	<u>\$54,000</u>

NOTE 12 - CAPITALIZED LEASE

The District is leasing a modular classroom under a capital lease. The cost of the classroom obtained under capital lease is included in the General Fixed Assets Account Group and the related liability included in the General Long-Term Obligations Account Group.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2000:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2001	\$32,317
2002	32,317
2003	32,317
2004	<u>32,317</u>
Minimum Lease Payments	129,268
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(17,863)</u>
Present Value of minimum lease payments	<u><u>\$111,405</u></u>

NOTE 13 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$108,584	\$108,584
Current Year Set-Aside Requirement	215,755	215,755	72,128	503,638
Current Year Offset Credits	0	(406,822)	0	(406,822)
Qualifying Disbursements	<u>(279,165)</u>	<u>0</u>	<u>0</u>	<u>(279,165)</u>
Total	<u>(\$63,410)</u>	<u>(\$191,067)</u>	<u>\$180,712</u>	<u>(\$73,765)</u>
Cash Balance Carried Forward to FY 2001	<u>\$0</u>	<u>\$0</u>	<u>\$180,712</u>	<u>\$180,712</u>
Amount Restricted for Budget Stabilization				<u>\$180,712</u>
Total Restricted Assets				<u><u>\$180,712</u></u>

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

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains four Enterprise Funds to account for the operation of Food Services, Uniform School Supply Sales, Recreation, and Farm activities. The key financial information for the fiscal year ended June 30, 2000, for these enterprise activities is as follows:

	<u>Food Services</u>	<u>Uniform School Supply</u>	<u>Recreation</u>	<u>Farm</u>	<u>Total</u>
Operating Revenues	\$356,103	\$91,734	\$0	\$0	\$447,837
Depreciation Expense	4,355	0	0	0	4,355
Operating Income (Loss)	(109,835)	2,907	0	0	(106,928)
Net Income	12,379	2,907	0	0	15,286
Property, Plant and Equipment:					
Additions	897	0	0	0	897
Federal and State Subsidies	120,774	0	0	0	120,774
Total Assets	79,251	25,536	2,006	10,510	117,303
Net Working Capital	(30,280)	23,803	2,006	10,510	6,039
Total Equity	(9,298)	23,803	2,006	10,510	27,021

NOTE 15 – RELATED ORGANIZATION

The Milton-Union Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Milton-Union Exempted Village School District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Milton-Union Public Library, Jerry Kohl, Clerk/Treasurer, at 560 South Main Street, West Milton, Ohio 45383.

NOTE 16 - CONSTRUCTION COMMITMENTS

As of June 30, 2000, the District had the following contracts with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Contract</u>	<u>Expected Date of Completion</u>
Stadium Bleacher Replacement	\$376,020	September 2000
Stadium Light Replacement	92,735	July 2000

NOTE 17- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2000 the District contracted with Nationwide Insurance Company for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Nationwide Insurance Company	Automobile/Fleet	\$250
Nationwide Insurance Company	Property	\$500
Nationwide Insurance Company	General Liability	\$0

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years. There has been no significant reduction in insurance coverages from coverages in the prior year.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The School District also maintains a limited medical insurance program for employees which was started in fiscal year 2000. Premiums are paid to a third party administrator, Heller Associates Inc. The claims are processed by the third party administrator and monitored by the School District in conjunction with the third party administrator. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. The outstanding claims at June 30, 2000, for the medical self-insurance program amounted to \$60,651.

The claims liability reported in the fund at June 30, 2000 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2000 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2000	\$0	\$776,658	(\$716,007)	\$60,651

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General fund. During fiscal year 2000, the school district paid \$3,588 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run. One at-large non-public service representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2000, the School District paid \$98,278 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Miami Valley Career Technology Center – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from the Miami County Educational Service Center. The School District did not contribute financially to this organization during fiscal year 2000. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Jessup, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

NOTE 19 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

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

C. State School Funding

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 "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$5,275,608 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program. The Court decided to maintain jurisdiction over these issues and continue the case at least until June 15, 2001. 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.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$23,111	\$0	\$21,727
National School Lunch Program	03-PU-99	10.555	7,881	0	7,881	0
	03-PU-00		23,422	0	23,422	0
	04-PU-99		18,240	0	18,240	0
	04-PU-00		58,709	0	58,709	0
Total National School Lunch Program			<u>108,252</u>	<u>0</u>	<u>108,252</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			108,252	23,111	108,252	21,727
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I - Education Consolidation Improvement Act	C1-S1-99	84.010	16,274	0	10,445	0
	C1-S1-00		173,473	0	173,473	0
Total Title I			<u>189,747</u>	<u>0</u>	<u>183,918</u>	<u>0</u>
Special Education Cluster:						
Title VI-B - Education of Handicapped Act	6B-SF-98	84.027	0	0	2,385	0
	6B-SF-99		94,965	0	94,965	0
Total Title VI-B			<u>94,965</u>	<u>0</u>	<u>97,350</u>	<u>0</u>
Special Education Preschool Grant	6B-EH-99	84.173	0	0	334	0
	6B-EH-00		3,423	0	3,423	0
Total Special Education Preschool Grant			<u>3,423</u>	<u>0</u>	<u>3,757</u>	<u>0</u>
Total Special Education Cluster			98,388	0	101,107	0
Drug Free Schools	DR-S1-99	84.186	0	0	745	0
	DR-S1-00		7,903	0	7,665	0
Total Drug Free Schools			<u>7,903</u>	<u>0</u>	<u>8,410</u>	<u>0</u>
Goals 2000	G2-S2-98	84.276	50,000	0	56,391	0
	G2-S2-99		0	0	27,338	0
Total Goals 2000			<u>50,000</u>	<u>0</u>	<u>83,729</u>	<u>0</u>
Math Science Subsidy (Spent on behalf of District by Miami County Educational Service Center)	MS-S1-98	84.281	0	0	269	0
	MS-S1-99		0	0	4,868	0
	MS-S1-00		7,104	0	0	0
Total Math/Science Subsidy			<u>7,104</u>	<u>0</u>	<u>5,137</u>	<u>0</u>
Innovative Education Program	C2-S1-97	84.298	0	0	790	0
	C2-S1-98		0	0	1,146	0
	C2-S1-99		1,206	0	5,081	0
	C2-S1-00		9,122	0	6,897	0
Total Innovative Education Program			<u>10,328</u>	<u>0</u>	<u>13,914</u>	<u>0</u>
Class Size Reduction Subsidy	CR-S1-00	84.340	30,030	0	23,707	0
(Passed through Miami Valley Career Technology Center)						
Perkins Grant	N/A	84.048	0	0	250	0
Total U.S. Department of Education			<u>393,500</u>	<u>0</u>	<u>420,172</u>	<u>0</u>
U.S. Department of Health & Human Services						
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medicaid	N/A	93.778	16,215	0	16,215	0
Total Federal Programs			<u>\$517,967</u>	<u>\$23,111</u>	<u>\$544,639</u>	<u>\$21,727</u>

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

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 - NUTRITION CLUSTER

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, 2000, the District had no significant food commodities in inventory.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Milton-Union Exempted Village School District
Miami County
112 South Spring Street
West Milton, Ohio 45383

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Milton-Union Exempted Village School District, Miami County, ("the District") as of and for the year ended June 30, 2000, and have issued our report thereon dated November 30, 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 30, 2000.

Board of Education Members
Milton-Union Exempted Village School District, Miami County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the Board of Education, management, 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

November 30, 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**

Milton-Union Exempted Village School District
Miami County
112 South Spring Street
West Milton, Ohio 45383

To the Board of Education:

Compliance

We have audited the compliance of Milton-Union Exempted Village School District, Miami County, ("the District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

Board of Education Members
Milton-Union Exempted Village School District, Miami County
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
Page 2

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.

This report is intended for the information and use of the audit committee, management, 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

November 30, 2000

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR ENDED JUNE 30, 2000**

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):	Special Education Cluster: CFDA #84.027, Title VI-B, Education of Handicapped Act & CFDA # 84.173, Special Education Pre-School Grant CFDA #84.276: State and Local Education Systemic Improvement Grant
(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**

No Findings required to be reported under GAGAS

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Finding or Questioned Costs reported for federal awards



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MILTON-UNION EXEMPTED VILLAGE SCHOOLDISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 09, 2001**