

***MILFORD EXEMPTED
VILLAGE SCHOOL DISTRICT***

CLERMONT COUNTY, OHIO

SINGLE AUDIT

For the Year Ended June 30, 2004

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Board of Education
Milford Exempted Village School District
745 Center Street, Suite 300
Milford, Ohio 45150

We have reviewed the Independent Auditor's Report of the Milford Exempted Village School District, Clermont County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 10, 2005

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CLERMONT COUNTY, OHIO
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Independent Auditor's Report

Board of Education
Milford Exempted Village School District
745 Center Street
Milford, Ohio 45150

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Milford Exempted Village School District (the District) as of and for the year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 2005 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 when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

April 21, 2005

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

The management's discussion and analysis of Milford Exempted Village School District's financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the financial statement and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- T Assets were greater than liabilities at the close of the most recent fiscal year by \$30.66 million for governmental activities and by \$.94 million for business-type activities.
- T General revenues in governmental activities accounted for \$50.07 million in revenue or 91.76 percent of all revenues. Program specific revenues in charges for services and grants and contributions accounted for \$4.50 million or 8.24 percent of \$54.57 million in total governmental activities revenue.
- T The business-type activities were financed through program revenues of \$1.25 million. The business-type activities had sufficient program revenues to cover the functional expenses by \$.11 million.
- T At the end of the current fiscal year, primary government cash and cash equivalents of \$13.00 million accounted for 28.53 percent of total assets, excluding capital assets.
- T The School District had \$51.21 million in expenses relating to governmental activities; however, only \$4.50 million of these expenses were offset by program specific revenues. General revenues were adequate to cover the \$46.72 million net expense of governmental programs.
- T Among major funds, the general fund had \$46.90 million in revenues and \$49.95 million in expenditures. The general fund's balance at the close of the current year was 10.14 percent of the current year's expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general instruction of secondary students and the associated support for those services. The business-type activities include the education of adults and general customer services for the School District. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

The School District maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the general fund and building fund, which are considered major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregate presentation.

The School District adopts an annual appropriation budget for all of its governmental funds. Budgetary comparison statements have been provided for the general major fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-17 of this report.

Proprietary Funds. The School District maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District used enterprise funds to account for its uniform school supplies and its latchkey program. The proprietary fund statements can be found on pages 18-20.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets from 2003 to 2004.

Table 1
Net Assets
(in Millions)

	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	2003	2004	Change	2003	2004	Change
Assets						
Current and Other Assets	\$64.86	\$44.69	(\$20.17)	\$0.77	\$0.85	\$0.08
Capital Assets	44.32	67.12	22.80	0.25	0.26	0.01
<i>Total Assets</i>	109.18	111.81	2.63	1.02	1.11	0.09
Liabilities						
Long-term Liabilities	47.97	47.62	(0.35)	0.11	0.08	(0.03)
Other Liabilities	33.94	33.53	(0.41)	0.08	0.09	0.01
<i>Total Liabilities</i>	81.91	81.15	(0.76)	0.19	0.17	(0.02)
Net Assets						
Invested in Capital Assets, net of related debt	(0.78)	23.39	24.17	0.20	0.26	0.06
Restricted	25.45	5.10	(20.35)	0.00	0.00	0.00
Unrestricted	2.60	2.17	(0.43)	0.63	0.68	0.05
<i>Total Net Assets</i>	\$27.27	\$30.66	\$3.39	\$0.83	\$0.94	\$0.11

The increase in governmental capital assets is related to the District's continued construction on the four new middle schools being built as part of the capital improvement plan. The decrease in governmental current assets and restricted net assets can also be attributed to the progress of the construction projects as the cash reserves from the bond proceeds were expended during the fiscal year.

**Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)**

Graph 1 breaks down the School District's governmental activities revenues into percentages by type of revenue.

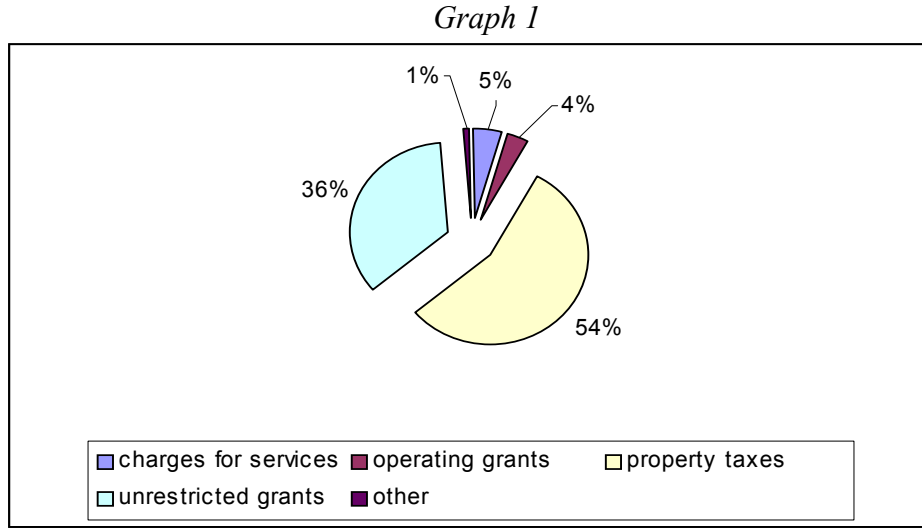


Table 2 details the actual amounts (in millions) for the School District as a whole.

	Governmental Activities		Business-Type Activities		Primary Government	
	2003	2004	2003	2004	2003	2004
Program Revenues						
Charges for Services	\$2.16	\$2.53	\$1.04	\$1.25	\$3.20	\$3.78
Operating Grants and Contributions	2.41	1.97	0.04	0.00	2.45	1.97
Total Program Revenues	4.57	4.50	1.08	1.25	5.65	5.75
General Revenues						
Property Taxes	26.19	29.67	0.00	0.00	26.19	29.67
Unrestricted Grants and Contributions	18.96	19.94	0.00	0.00	18.96	19.94
Investment Earnings	1.03	0.24	0.00	0.00	1.03	0.24
Miscellaneous	0.32	0.22	0.00	0.00	0.32	0.22
Total General Revenues	46.50	50.07	0.00	0.00	46.50	50.07
All Revenues	\$51.07	\$54.57	\$1.08	\$1.25	\$52.15	\$55.82

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Table 3 compares total program expenses from fiscal year 2003 to 2004.

Table 3
(in millions)

	Program Expense	
	2003	2004
Program Expenses		
<i>Instruction</i>		
Regular	\$18.16	\$19.40
Special	4.70	4.70
Other	0.57	0.74
<i>Support Services:</i>		
Pupils	2.67	3.10
Instructional Staff	2.60	2.69
Administration	3.62	3.35
Fiscal	1.02	0.92
Operation and Maintenance of Plant	4.44	4.93
Pupil Transportation	5.36	5.24
Central	1.06	0.76
Other	1.49	0.52
Food Services	1.51	1.59
Extracurricular Activities	1.10	1.01
Interest and Fiscal Charges	2.25	2.26
<i>Total Governmental Activities</i>	50.54	51.21
Customer Service	0.33	0.36
Latchkey	0.62	0.78
<i>Total Business-Type Activities</i>	0.95	1.14
Total Primary Government	51.49	52.35
Gain on Disposal of Capital Assets	0.00	0.03
Change in Net Assets	0.66	3.50
Beginning Net Assets	27.44	28.10
Ending Net Assets	\$28.1	\$31.60

*Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)*

The Major Funds

The School District's major funds start on page 15 for governmental funds. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of the School District. The major funds account for 85.50 percent of the \$55.12 million in total revenue and 89.96 percent of the \$74.94 million in total expenditures. The general fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues were less than expenditures in the general fund reducing the year end fund balance to \$5.16 million. The building fund expended the majority of its resources on the construction on the new schools.

The general fund recognized \$5.88 million in current liabilities for fiscal year 2004. Accrued salaries and benefits accounted for 71.11 percent of those liabilities. The building fund shows contracts payable of \$0.65 million for construction of new facilities, which is considerably less than the \$4.51 million reported in 2003.

Business-Type Activities

The School District does not report any major enterprise activity. The District does maintain two funds that met the criteria to be classified as business-type activities. Those funds accounted for \$1.11 million in total assets and less than \$.02 million in liabilities.

General Fund Budgetary

Table 3 depicts the change from the original to the final general fund revenue budget for the fiscal year ended June 30, 2004.

*Table 3
Original Budget versus Final Budget for General Fund*

	Budget	
	Original	Final
<u>Revenues:</u>		
Property Local Taxes	\$22,757,611	\$25,295,554
Intergovernmental	17,603,914	19,567,114
Other	327,133	363,615
Total Revenues	\$40,688,658	\$45,226,283

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Table 3 (continued)

<u>Expenditures:</u>	Budget	
	Original	Final
Current:		
Instruction	\$24,026,242	\$26,751,287
Support Services	23,292,732	25,934,584
Other	1,611,437	1,794,205
Total Expenditures	\$48,930,411	\$54,480,076

The main differences in original and final budgeted revenues were within the property tax estimates. The District estimated the reappraisal revenue collection for the original budget and refined the final budget amounts once those figures were better recognized. The District also increased the intergovernmental budget by almost \$2.0 million. Within the original budget, the District was conservative with what impact legislation would have on the school foundation monies.

The increases in the budgeted expenditures were a result of student growth. Projections continued to produce less than what actually occurred and the School District needed to increase staff at both certified and non-certified levels to accommodate those increases. Overall the variance was 11.34 percent during the year.

Final Budget versus Actual Results

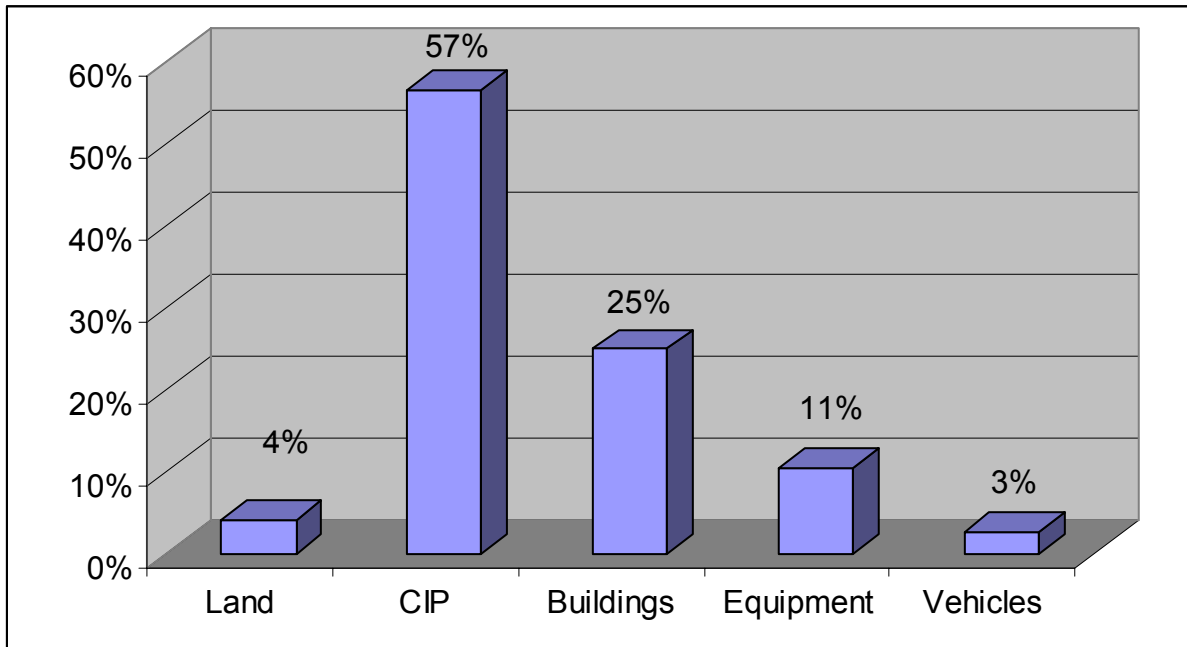
Revenues compared to final budget were slightly higher 0.20% due to the conservative nature of revenue forecasting. The \$2.17 million variance between final expenditures and final budget in the general fund relates to the School District budgeting the hiring on the new staff, as mentioned above, within the 2004 fiscal year but not actually occurring until after the year ended.

Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)

Capital Assets

During 2004, the School District saw an increase of \$24.65 million invested in land, buildings, equipment, and vehicles. A schedule showing accumulated depreciation and the breakdown of current year depreciation can be found in Note 8 of the financial statements. Table 4 shows the breakdown by percentage for the governmental capital assets (business type is not shown since it is relatively small compared to governmental activities.)

Table 4
Percentage of Capital Assets by Class



Debt Administration

The School District issued general obligation bonds for the construction of several new schools during the 2002 fiscal year. As of June 30, 2004, \$42.77 million was outstanding on the bonds. The School District also has \$1.24 million of energy conservation debt outstanding at year-end. The business-type activities retired a debt obligation that was originally issued in 2000. For further information on the School District's obligation refer to Note 14 of the financial statements.

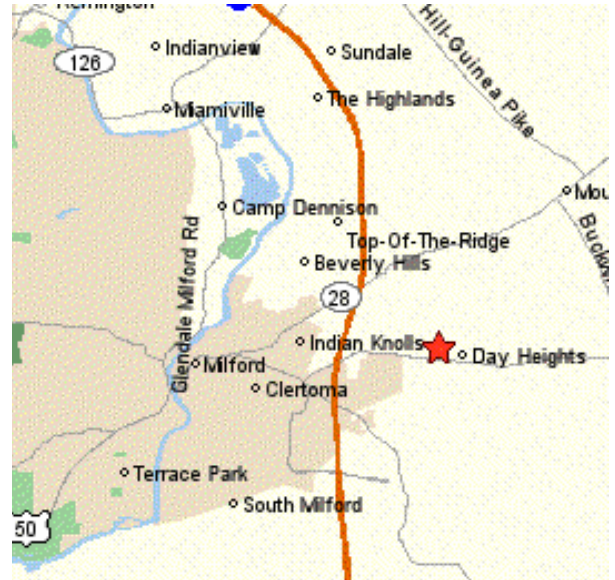
***Milford Exempted Village School District
Clermont County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(unaudited)***

Other items impacting the financial strength of the School District

The School District is located near Interstate 275, with the roadway actually parting the School District. The area can be accessed easily from Cincinnati also. In recent years, the area has seen expansion take off from both the residential and commercial sides and the growth should continue for several.

Over the past three years, the School District has seen property values increase approximately 8.77 percent on average while average enrollment over that time frame has increased less than 3 percent.

The School District received an excellent rating and received a ninety plus score in all eighteen high school scoring categories.



Request for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, Milford EVSD, 745 Center Avenue, Milford, Ohio 45150.

Milford Exempted Village School District
Clermont County, Ohio
Statement of Net Assets
June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,512,889	\$843,764	\$11,356,653
Cash in Segregated Accounts	1,602,773		1,602,773
Receivables:			
Property and Other Taxes	31,819,747	0	31,819,747
Accounts	65,073	12,441	77,514
Accrued Interest	6,395	0	6,395
Intergovernmental	253,186	0	253,186
Materials and Supplies Inventory	89,307	0	89,307
Prepaid Items	12,632	0	12,632
Issuance Costs	293,372	0	293,372
Restricted Cash and Cash Equivalents	38,190	0	38,190
Nondepreciable Capital Assets	51,273,142	0	51,273,142
Depreciable Capital Assets (net of accumulated depreciation):	15,844,903	257,790	16,102,693
Total Assets	<u>111,811,609</u>	<u>1,113,995</u>	<u>112,925,604</u>
Liabilities			
Payables:			
Accounts	490,365	18,606	508,971
Contracts	648,439	20,129	668,568
Intergovernmental	1,029,402	14,722	1,044,124
Salaries and Employee Benefits	4,430,659	39,781	4,470,440
Interest	203,673	0	203,673
Claims	23,200	0	23,200
Deferred Revenue	26,697,939	0	26,697,939
Noncurrent Liabilities:			
Due within one year	1,942,689	64,652	2,007,341
Due in more than one year	45,680,780	15,717	45,696,497
Total Liabilities	<u>81,147,146</u>	<u>173,607</u>	<u>81,320,753</u>
Net Assets			
Invested in capital assets, net of related debt (Deficit)	23,393,525	257,790	23,651,315
Restricted for:			
Grants	81,241	0	81,241
Contributions	11,322	0	11,322
Debt Service	1,708,288	0	1,708,288
State Mandates	38,190	0	38,190
Capital Improvements	3,261,841	0	3,261,841
Unrestricted	2,170,056	682,598	2,852,654
Total Net Assets	<u>\$30,664,463</u>	<u>\$940,388</u>	<u>\$31,604,851</u>

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2004

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$19,397,907	\$478,545	\$172,706	(\$18,746,656)	\$0	(\$18,746,656)
Special	4,703,990	30,178	77,228	(4,596,584)	0	(4,596,584)
Vocational	292,742	0	0	(292,742)	0	(292,742)
Adult	3,545	6,589	0	3,044	0	3,044
Other	444,779	0	113,790	(330,989)	0	(330,989)
Support Services:						
Pupils	3,097,991	178,778	815,451	(2,103,762)	0	(2,103,762)
Instructional Staff	2,690,946	0	100,864	(2,590,082)	0	(2,590,082)
Board of Education	132,103	0	0	(132,103)	0	(132,103)
Administration	3,353,979	43,372	17,676	(3,292,931)	0	(3,292,931)
Fiscal	922,014	0	0	(922,014)	0	(922,014)
Business	154,763	0	0	(154,763)	0	(154,763)
Operation and Maintenance of Plant	4,917,363	38,683	0	(4,878,680)	0	(4,878,680)
Pupil Transportation	5,242,687	99,532	0	(5,143,155)	0	(5,143,155)
Central	755,763	0	10,958	(744,805)	0	(744,805)
Operation of Non-Instructional Services	238,153	17,657	374,895	154,399	0	154,399
Food Service	1,587,562	1,365,502	286,409	64,349	0	64,349
Extracurricular Activities	1,014,490	268,631	0	(745,859)	0	(745,859)
Interest and Fiscal Charges	2,264,779	0	0	(2,264,779)	0	(2,264,779)
Total Governmental Activities	<u>51,215,555</u>	<u>2,527,467</u>	<u>1,969,977</u>	<u>(46,718,111)</u>	<u>0</u>	<u>(46,718,111)</u>
Business-Type Activities:						
Customer Service	359,801	334,469	0	0	(25,332)	(25,332)
Latchkey	781,043	917,457	0	0	136,414	136,414
Total Business-Type Activities	<u>1,140,844</u>	<u>1,251,926</u>	<u>0</u>	<u>0</u>	<u>111,082</u>	<u>111,082</u>
Total Primary Government	<u>\$52,356,399</u>	<u>\$3,779,393</u>	<u>\$1,969,977</u>	<u>(46,718,111)</u>	<u>111,082</u>	<u>(46,607,029)</u>
General Revenues:						
Property Taxes				29,668,872	0	29,668,872
Grants and Contributions not restricted to specific programs				19,946,667	0	19,946,667
Unrestricted investment earnings				243,999	0	243,999
Miscellaneous				215,286	0	215,286
Total General Revenues				<u>50,074,824</u>	<u>0</u>	<u>50,074,824</u>
Gain on Disposal of Capital Assets				32,842	0	32,842
Changes in Net Assets				3,389,555	111,082	3,500,637
Net Assets-Beginning (Restated)				27,274,908	829,306	28,104,214
Net Assets-Ending				<u>\$30,664,463</u>	<u>\$940,388</u>	<u>\$31,604,851</u>

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Balance Sheet - Governmental Funds
June 30, 2004

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,991,854	\$2,320,601	\$2,200,434	\$10,512,889
Cash and Cash Equivalents in Segregated Accounts	171,262	1,423,063	8,448	1,602,773
Receivables:				
Property and Other Taxes	28,663,719	0	3,156,028	31,819,747
Accounts	59,500	0	5,573	65,073
Interfund	38,610	0	0	38,610
Accrued Interest	6,395	0	0	6,395
Intergovernmental	60,000	0	193,186	253,186
Due from Other Funds	0	0	134	134
Prepaid Items	12,632	0	0	12,632
Materials and Supplies Inventory	62,254	0	27,053	89,307
Restricted Assets:				
Cash and Cash Equivalents	38,190	0	0	38,190
Total Assets	\$35,104,416	\$3,743,664	\$5,590,856	\$44,438,936
Liabilities and Fund Balances				
Liabilities				
Payables:				
Accounts	\$451,948	\$0	\$38,417	\$490,365
Contracts	0	648,439	0	648,439
Due to Local Governments	942,857	0	86,545	1,029,402
Salaries and Employee Benefits	4,182,247	0	248,412	4,430,659
Interfund	0	0	38,610	38,610
Due to Other Funds	134	0	0	134
Matured Leave Payable	281,020	0	0	281,020
Claims Payable	23,200	0	0	23,200
Deferred Revenue	24,067,075	0	2,726,759	26,793,834
Total Liabilities	29,948,481	648,439	3,138,743	33,735,663
Fund Balances:				
Designated for:				
Premium Stabilization	332,441	0	0	332,441
Reserved for:				
Encumbrances	2,809,579	3,070,997	290,606	6,171,182
Property Taxes	3,549,100	0	410,700	3,959,800
Prepays	12,632	0	0	12,632
Principal	0	0	11,322	11,322
Inventory	62,254	0	27,053	89,307
Bus Purchases	38,190	0	0	38,190
Unreserved, reported in:				
General (Deficit)	(1,648,261)	0	0	(1,648,261)
Debt Service	0	0	1,297,588	1,297,588
Special Revenue	0	0	246,062	246,062
Permanent Fund	0	0	2,166	2,166
Capital Projects	0	24,228	166,616	190,844
Total Fund Balances	5,155,935	3,095,225	2,452,113	10,703,273
Total Liabilities and Fund Balances	\$35,104,416	\$3,743,664	\$5,590,856	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	67,118,045
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	389,267
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(47,546,122)

Net assets of governmental activities \$30,664,463

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2004

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$26,578,560	\$0	\$3,090,312	\$29,668,872
Intergovernmental	19,558,721	0	2,907,944	22,466,665
Charges for Services	478,263	0	1,359,683	1,837,946
Tuition and Fees	195,672	0	19,173	214,845
Interest	(9,618)	231,557	22,146	244,085
Gifts and Donations	767	0	237,272	238,039
Rent	49,174	0	0	49,174
Extracurricular Activities	0	0	311,801	311,801
Miscellaneous	47,622	0	43,239	90,861
Total Revenues	<u>46,899,161</u>	<u>231,557</u>	<u>7,991,570</u>	<u>55,122,288</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,386,961	0	279,645	20,666,606
Special	4,689,920	0	346,286	5,036,206
Vocational	313,498	0	0	313,498
Adult	0	0	3,545	3,545
Other	428,501	0	77,239	505,740
Support Services:				
Pupils	2,232,951	0	1,130,424	3,363,375
Instructional Staff	2,629,354	0	219,270	2,848,624
Board of Education	141,469	0	0	141,469
Administration	3,519,154	0	51,349	3,570,503
Fiscal	924,570	0	48,771	973,341
Business	780,292	0	47,287	827,579
Operation and Maintenance of Plant	5,264,368	2,317	13,611	5,280,296
Pupil Transportation	5,469,648	0	0	5,469,648
Central	1,007,251	0	46,606	1,053,857
Operation of Non-Instructional Services	20,223	0	1,908,297	1,928,520
Extracurricular Activities	852,461	0	221,871	1,074,332
Capital Outlay	918,656	17,467,171	148,004	18,533,831
Debt Service:				
Principal Retirement	273,727	0	801,000	1,074,727
Interest and Fiscal Charges	100,091	0	2,179,806	2,279,897
Total Expenditures	<u>49,953,095</u>	<u>17,469,488</u>	<u>7,523,011</u>	<u>74,945,594</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	(3,053,934)	(17,237,931)	468,559	(19,823,306)
Other Financing Sources (Uses):				
Inception of Capital Lease	340,123	0	0	340,123
Sale of Capital Assets	32,842	0	0	32,842
Transfers - In	0	0	245,191	245,191
Transfers - Out	(245,191)	0	0	(245,191)
Total Other Financing Sources (Uses)	<u>127,774</u>	<u>0</u>	<u>245,191</u>	<u>372,965</u>
Net Change in Fund Balances	(2,926,160)	(17,237,931)	713,750	(19,450,341)
Fund Balances - beginning	8,071,482	20,333,156	1,735,647	
Change in Inventory	10,613	0	2,716	
Fund Balances - ending	<u>\$5,155,935</u>	<u>\$3,095,225</u>	<u>\$2,452,113</u>	

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

Net Change in Fund Balances - total governmental funds

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 22,801,797

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (876,814)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. 1,098,690

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds. (183,777)

Change in net assets of governmental activities \$3,389,555

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2004

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$22,757,611	\$25,295,554	\$25,305,142	\$9,588
Intergovernmental	17,603,914	19,567,114	19,573,721	6,607
Tuition and Fees	124,615	138,512	146,316	7,804
Interest	114,921	127,737	189,737	62,000
Rent	41,709	46,360	49,174	2,814
Gifts and Donations	632	703	767	64
Miscellaneous	45,256	50,303	52,649	2,346
Total Revenues	40,688,658	45,226,283	45,317,506	91,223
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	18,747,553	20,873,892	20,303,476	570,416
Special	4,571,933	5,090,479	4,847,470	243,009
Vocational	313,133	348,648	298,784	49,864
Other	393,623	438,268	438,268	0
Support Services:				
Pupils	2,189,824	2,438,193	2,176,435	261,758
Instructional Staff	2,622,339	2,919,763	2,786,966	132,797
Board of Education	97,662	108,739	100,823	7,916
Administration	3,515,947	3,914,724	3,688,500	226,224
Fiscal	932,244	1,037,979	990,911	47,068
Business	1,420,824	1,581,973	1,526,812	55,161
Operation and Maintenance of Plant	6,168,560	6,868,195	6,632,456	235,739
Pupil Transportation	5,103,988	5,682,880	5,549,841	133,039
Central	1,241,345	1,382,138	1,274,306	107,832
Extracurricular Activities	860,700	958,320	865,750	92,570
Capital Outlay	606,171	674,923	673,725	1,198
Debt Service:				
Principal Retirement	83,789	93,292	92,125	1,167
Interest and Fiscal Charges	60,777	67,670	67,670	0
Total Expenditures	48,930,411	54,480,076	52,314,318	2,165,758
Excess of Revenues Over (Under) Expenditures	(8,241,754)	(9,253,793)	(6,996,812)	2,256,981
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	0	32,000	32,842	842
Refund of Prior Year Expenditures	0	99,038	100,221	1,183
Refund of Prior Year Receipts	0	(65,205)	(65,205)	0
Advances In	0	833,653	833,653	0
Advances Out	0	(23,313)	(23,313)	0
Transfers Out	0	(257,825)	(245,190)	12,635
Total Other Financing Sources (Uses)	0	618,348	633,008	14,660
Net Change in Fund Balance	(8,241,754)	(8,635,445)	(6,363,804)	2,271,641
Fund Balances at Beginning of Year	6,865,788	6,865,788	6,865,788	0
Prior Year Encumbrances Appropriated	2,223,889	2,223,889	2,223,889	0
Fund Balances at End of Year	\$847,923	\$454,232	\$2,725,873	\$2,271,641

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Nonmajor Proprietary Funds
<u>Assets</u>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$843,764
Receivables:	
Accounts	12,441
Total Current Assets	856,205
 <i>Noncurrent Assets</i>	
Capital Assets (net of accumulated depreciation)	257,790
 Total Assets	 \$1,113,995
 <u>Liabilities</u>	
<i>Current Liabilities</i>	
Payables:	
Accounts	\$18,606
Contracts	20,129
Due to Local Governments	75,442
Salaries and Employee Benefits	39,781
Compensated Absences	18,525
Total Current Liabilities	172,483
 <i>Noncurrent Liabilities</i>	
Capital Leases Payable	1,124
Total Noncurrent Liabilities	1,124
 Total Liabilities	 173,607
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	257,790
Unrestricted	682,598
 Total Net Assets	 \$940,388

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Nonmajor Proprietary Funds</u>
<u>Operating Revenues:</u>	
Charges for Services	\$874,949
Sales	329,421
Tuition and Fees	<u>47,556</u>
 Total Operating Revenues	 <u>1,251,926</u>
<u>Operating Expenses:</u>	
Salaries	535,270
Fringe Benefits	141,011
Purchased Services	29,786
Materials and Supplies	409,767
Depreciation	11,641
Other	<u>13,369</u>
 Total Operating Expenses	 <u>1,140,844</u>
 Change in Net Assets	 111,082
 Net Assets - Beginning of Year	 <u>829,306</u>
 Net Assets - End of Year	 <u><u>\$940,388</u></u>

See accompanying notes to the basic financial statements

Milford Exempted Village School District
Clermont County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Nonmajor Proprietary Funds</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,241,396
Cash Payments to Suppliers for Goods and Services	(401,810)
Cash Payments to Employees for Services	(543,305)
Cash Payments for Employee Benefits	(134,967)
	<u>161,314</u>
<i>Net Cash Provided by Operating Activities</i>	
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Principal Paid on General Obligation Bonds	(37,218)
Interest Paid on General Obligation Bonds	(1,975)
Principal Paid on Capital Leases	(2,997)
Interest Paid on Capital Leases	(603)
Payments for Capital Acquisitions	(20,129)
	<u>(62,922)</u>
<i>Net Cash Used For Capital and Related Financing Activities</i>	
	<u>98,392</u>
<i>Net Increase in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>745,372</u>
	<u>\$843,764</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	111,082
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>	
Depreciation	11,641
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(10,530)
Decrease in Inventory held for Resale	23,670
Increase in Accounts Payable	6,143
Increase in Contracts Payable	21,299
Decrease in Accrued Wages and Benefits	(5,572)
Increase in Compensated Absences Payable	2,952
Increase in Intergovernmental Payable	629
	<u>50,232</u>
<i>Total Adjustments</i>	<u>50,232</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$161,314</u>

See accompanying notes to the basic financial statements

*Milford Exempted Village School District
Clermont County, Ohio
Statement of Fiduciary Assets and Liabilities-
Fiduciary Funds
June 30, 2004*

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$105,780</u>
<u>Liabilities</u>	
Undistributed Monies	\$6,669
Due to Students	<u>99,111</u>
Total Liabilities	<u>\$105,780</u>

See accompanying notes to the basic financial statements

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Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Milford Exempted Village School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's nine instructional support facilities staffed by approximately 236 non-certificated, 359 teaching personnel and 28 administrative employees providing education to 5,890 approximately students.

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Milford Exempted Village School District, this includes general operations, food service, latchkey, and student related activities of the School District. The following activities are included within the reporting entity:

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

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

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

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

The School District is associated with three organizations of which two are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association (H/CCA), Great Oaks Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grants and entitlements, tuition, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *building fund* accounts for the revenue and expenditures related to the acquisition and construction of capital facilities including real property. Debt proceeds related to this activity are recorded in this fund, except premium or accrued interest.

Additionally, the District reports the following fund types:

Enterprise Funds account for the activities of the school supplies distribution center and the school's latchkey program.

Fiduciary Agency Funds reporting focuses on net assets and changes in net assets. The District maintains two fiduciary funds: Student Activities Agency and Unclaimed Monies Fund. The Student Activities fund was established to account for revenues generated by student managed activities. The Unclaimed Monies fund was established during 2004 to account for monies owed to others but not paid. The District's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the customer service and adult education funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Budgetary Process:

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

Tax Budget:

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

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

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

Lapsing of Appropriations:

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the statement of net assets and fund balance sheets. The School District utilizes a third party administrator to pay claim expenses and account for the dental self-insurance fund. The balance in this account presented on the statement of net assets and governmental fund balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and represents the difference between deposits and the paid claims. The District also maintains retainage accounts for contractors in relation to the school building improvement plan and district managed athletic activities as "Cash and Cash Equivalents in Segregated Accounts".

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2004, investments were limited to funds invested in federal mortgage backed agencies securities, United States treasury obligations, money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Investment contracts and money market investments that has a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to (\$9,618), which results from the fair value change in District investments. The Lunchroom, Special Trust and Auxiliary Service special revenue funds, debt service fund, Permanent Improvement and Building capital projects funds and Endowment permanent fund also received interest of \$745; \$85; \$1,138; \$19,184; \$838; \$231,557 and \$156 , respectively. For purposes of the statement of cash flows, the proprietary fund share of Equity in Pooled Cash and Cash Equivalents is considered to be cash equivalents because the School District has access to these funds without penalty or prior notice.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and vehicles, are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts were not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The School District reviewed possible infrastructure assets (roads, bridges, culverts, etc.) which could be required to be capitalized. The School District has no infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

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

Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the fund balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables.” These amounts are eliminated on the statement of net assets within the consolidated columns.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 10 years of service, certified employees after 20 years and administrators after 25 years of service.

Expenditures or liabilities related to compensated absences are reported in governmental funds only if they are due for payment. The entire liability is reported on the government-wide statement of net assets. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported on the governmental fund financial statements when the liability is incurred. However, compensated absences and debt service expenditures are recorded as expenditures only when payment is due. Contractually required pension obligations are reported as liabilities in the fund financial statements only to the extent they will be paid with current available financial resources. Capital leases and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

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

Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources set-aside for the purchase of buses required by statute to be set-aside by the School District. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Fund Balance Reserves and Designations

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

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

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

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Exchange/Non-Exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6.)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$47,546,122) difference are as follows:

Capital Lease Payable	(\$354,054)
Long Term Debt Payable	(44,007,585)
General Obligation Bonds - Premium	(658,974)
Accrued Interest Payable	(203,673)
Long Term Pension Obligation	(519,305)
Compensated Absences	<u>(1,802,531)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> ,	<u><u>(\$47,546,122)</u></u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of the \$67,118,045 difference are as follows:

Capital Assets	\$82,924,860
Accumulated Depreciation	<u>(15,806,815)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$67,118,045</u></u>

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states that “Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.” The details of this (\$183,777) are as follows:

Change in SERS Obligation and Leave Balances	(\$174,932)
Net interest accrual on Long Term Debt	1,823
Bonds Issuance Costs	(10,668)
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$183,777)

Another element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$22,801,797 are as follows:

Current capital additions	\$24,653,797
Depreciation Expense	(1,852,000)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$22,801,797

Another element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduce the long-term liabilities in the statement of net assets.” The details of this \$1,098,690 are as follows:

Principal reduction on capital lease	\$181,603
Principal reduction on debt	893,124
Amortization on general obligation bond premium	23,963
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$1,098,690

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 3 - ACCOUNTABILITY

At June 30, 2004, the following nonmajor governmental funds had a deficit fund balance:

Nonmajor Governmental Funds	Amount
EMIS	(\$271)
Title VI-B Grant	(35,659)
Title I Grant	(45,823)
Title VI Preschool Grant	(203)
Reducing Class Size Grant	(22,429)
Total Nonmajor Governmental Funds	(\$104,385)

The deficits in the grant programs were created by expending the monies for the grants and having an outstanding receivable at year end. The District provided advances from the general fund to cover the negative cash in these funds. The deficits in these funds were created by application of generally accepted accounting principles. The general fund provides cash to these funds; however that does not happen until needed.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 4 - BUDGET TO GAAP RECONCILIATION

3. Encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance(GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the General Fund GAAP and budgetary basis statements.

Excess of Revenues and Other Financing Sources
 Under Expenditures and Other Financing Uses

GAAP Basis	(\$2,926,160)
Adjustments:	
Revenue Accrual	(1,821,556)
Expenditure Accrual	(181,620)
Encumbrances	(2,244,808)
Advances	<u>810,340</u>
Budget Basis	<u><u>(\$6,363,804)</u></u>

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

Deposits At year end, the carrying amount of the School District's deposits, excluding payroll and athletic account, was \$8,403,850 and the bank balance was \$8,280,698. Of the bank balance:

1. \$400,000 was covered by federal depository insurance; and
2. \$7,880,698 was covered by pledged securities held by the institution in the School District's name.

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

<u>Investments</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$990,448	\$0	\$990,448
Federal National Mortgage Association	1,095,212	0	1,095,212
Federal Home Loan Mortgage Corporation	2,487,572	0	2,487,572
Money Market Mutual Funds	0	126,314	126,314
	<u>\$4,573,232</u>	<u>\$126,314</u>	<u>\$4,699,546</u>

Cash and cash equivalents and investments are pooled for basic financial statements classification because the pool consists of deposits, short-term investments or long-term investments that can be converted to liquid assets. A reconciliation between the classifications of cash and investments on the basic financial statements and classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
Equity Pooled Cash and Cash Equivalents – Basic Financial Statements	\$13,103,396	\$0
Investments:		
Federal Home Loan Bank	(990,448)	990,448
Federal National Mortgage Association	(1,095,212)	1,095,212
Federal Home Loan Mortgage Corporation	(2,487,572)	2,487,572
Money Market Mutual Funds	(126,314)	126,314
GASB Statement No.3	<u>\$8,403,850</u>	<u>\$4,699,546</u>

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004, and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

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

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

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2004 taxes were collected are:

	<u>2003 Second- Half Collections</u>		<u>2004 First- Half Collection</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$746,351,060	91.97%	\$774,094,800	92.42%
Public Utility Personal	43,489,014	5.36	21,803,640	2.60
Tangible Personal Property	<u>21,646,380</u>	<u>2.67</u>	<u>41,680,665</u>	<u>4.98</u>
Total Assessed Value	<u><u>\$811,486,454</u></u>	<u><u>100.00%</u></u>	<u><u>\$837,579,105</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$65.90		\$65.90	

The School District receives property taxes from Clermont and Hamilton Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Milford Exempted Village School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$3,549,100 in the general fund and \$410,700 in the debt service fund, respectively.

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of property taxes, accounts (rent, tuition, and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Major Funds:	
General Fund	
City of Milford abatement	\$60,000
Nonmajor Governmental Funds:	
Food Service	42,306
Student Intervention Grant	704
Alternative Schools Grant	1,401
Title VI-B Grant	85,722
Title I Grant	25,346
Title VI Grant	1,972
Reducing Class Size Grant	25,209
Miscellaneous Federal Grants	10,526
Total Nonmajor Governmental Funds	193,186
Total	\$253,186

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> 07/01/03	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 6/30/04
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$3,480,532	\$0	\$0	\$3,480,532
Construction in Progress	25,070,554	22,722,056	0	47,792,610
*Capital Assets, being depreciated				
Buildings and Improvements	20,654,669	45,179	0	20,699,848
Furniture and Equipment	7,347,313	1,831,612	(427,204)	8,751,721
Vehicles	2,145,199	54,950	0	2,200,149
Total at Historical Cost	<u>58,698,267</u>	<u>24,653,797</u>	<u>(427,204)</u>	<u>82,924,860</u>
Total Accumulated Depreciation Governmental Activities	<u>(14,382,019)</u>	<u>(1,852,000)</u>	<u>427,204</u>	<u>(15,806,815)</u>
Capital Assets, Net	<u>\$44,316,248</u>	<u>\$22,801,797</u>	<u>\$0</u>	<u>\$67,118,045</u>
Business-Type Activities				
Furniture and Equipment	\$296,048	\$20,129	\$0	\$316,177
Total Accumulated Depreciation Business-Type Activities	<u>(48,589)</u>	<u>(9,798)</u>	<u>0</u>	<u>(58,387)</u>
Capital Assets, Net	<u>\$247,459</u>	<u>\$10,330</u>	<u>\$0</u>	<u>\$257,790</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,263,799
Special	8,760
Support Services:	
Pupils	10,777
Instructional Staff	6,588
Administration	41,663
Fiscal	8,867
Business	80,538
Operation and Maintenance of Plant	88,761
Pupil Transportation	170,052
Central	124,929
Operation of Non-Instructional Services	1,863
Food Services	33,317
Extracurricular Activities	12,086
Total Depreciation Expense	<u>\$1,852,000</u>

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Acordia for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Indiana Insurance are as follows:

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

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

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

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

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT (continued)

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

The claims liability of \$23,200 reported in the general fund at June 30, 2004, is based on information provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that the liability for the unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustments expenses. Changes in claims activity for the past two years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2003	\$30,363	\$468,170	\$479,672	\$18,861
2004	18,861	449,904	445,565	23,200

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%. A portion of the School District's contribution is used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. For the fiscal year 2004, 9.09 percent of the annual covered salary was the portion used to fund pension obligation. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2004, 2003, and 2002, were \$795,811, \$768,915, and \$411,635, and, respectively; 53 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$376,271 representing the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds and on the statement of net assets.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. Contributions to the DC and Combined Plan for fiscal year 2004 were \$61,729 by the District and \$77,093 by the plan members. This information was obtained by sending an e-mail to riehlb@strsoh.org.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance. Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2004, 2003, and 2002, were \$2,818,738, \$2,441,286, and \$1,674,171, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$483,546 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds and on statement of net assets.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$216,826 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. At June 30, 2004, net health care costs paid by STRS were \$268.7 million and STRS had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$613,293.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has 62,000 participants currently receiving health care benefits.

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Life Insurance

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

Employee Medical Benefits

The School District has elected to provide employee medical/surgical benefits through Anthem. The provider offers two plans to the School District's employees. The preferred patient plan costs \$298.01 for single and \$699.97 for family with a \$10 co-pay by the employee. The other plan is the health maintenance plan, in which the employee must choose a family medical provider from an approved list. The cost for single is \$268.47 and family is \$630.00 with a \$5 co-pay.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

Capital assets consisting of copiers have been capitalized on the statement of net assets for governmental activities in the amount of \$725,572; \$340,123 for fiscal year 2004 and business-type activities have been capitalized in the appropriate funds in the amount of \$18,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets. Principal payments in fiscal year 2004 totaled \$181,603 in the governmental activities and \$2,997 in the business-type activities. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental</u>	<u>Business- Type</u>
2005	\$140,051	\$1,131
2006	94,872	0
2007	92,168	0
2008	92,168	0
2009	33,743	0
Total	453,002	1,131
Less: Amount Representing Interest	(98,948)	(7)
Present Value of Net Minimum Lease Payments	<u>\$354,054</u>	<u>\$1,124</u>

The annual debt service requirements to maturity for the capital lease paid are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$101,794	\$38,257	\$140,051
2006	66,107	28,765	94,872
2007	71,971	20,197	92,168
2008	81,653	10,515	92,168
2009	32,529	1,214	33,743
Total	<u>\$354,054</u>	<u>\$98,948</u>	<u>\$453,002</u>

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 14 - LONG TERM DEBT

Changes in long-term obligations of the School District during the 2004 fiscal year were as follows:

	Amount at June 30, 2003	Additions	Deletions	Amount at June 30, 2004	Due Within One Year
<u>Governmental Activities</u>					
Energy Conservation Loan 2014 5.07%	\$1,334,709	\$0	\$92,124	\$1,242,585	\$98,082
General Obligation Bonds 2030 3.00%-6.00%	43,566,000	0	801,000	42,765,000	900,000
Premium on Bonds	682,937	0	23,963	658,974	23,963
Compensated Absences	1,731,346	838,196	485,991	2,083,551	299,545
Intergovernmental Payable	458,709	519,305	458,709	519,305	519,305
Capital Leases Payable	195,534	340,123	181,603	354,054	101,794
Total Governmental Activities	47,969,235	1,697,624	2,043,390	47,623,469	1,942,689
<u>Business-Type Activities</u>					
Classroom Acquisition General Obligation Bonds 2000 4.60%	37,218	0	37,218	0	0
Compensated Absences	15,573	4,484	1,532	18,525	2,808
Intergovernmental Payable	53,329	60,720	53,329	60,720	60,720
Capital Leases Payable	4,121	0	2,997	1,124	1,124
Total Business-Type Activities	110,241	65,204	95,076	80,369	64,652
Total	\$48,079,476	\$1,762,828	\$2,138,466	\$47,703,838	\$2,007,341

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

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

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 14 - LONG TERM DEBT (continued)

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

The School District's overall legal debt margin was \$34,325,407 with an energy conservation debt margin of \$6,295,627 and an unvoted debt margin of \$837,579 at June 30, 2004.

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

Governmental Activities

Fiscal Year Ending June 30,	Energy Conservation Loan			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$98,082	\$61,713	\$159,795	\$900,000	\$2,152,976	\$3,052,976
2006	103,118	56,677	159,795	1,010,000	2,121,939	3,131,939
2007	108,412	51,382	159,794	1,285,000	2,084,645	3,369,645
2008	113,978	45,816	159,794	135,000	2,061,233	2,196,233
2009	117,982	41,812	159,794	195,000	2,054,801	2,249,801
2010-2014	701,013	97,955	798,968	3,035,000	9,997,839	13,032,839
2015-2019	0	0	0	6,980,000	8,755,724	15,735,724
2020- 2024	0	0	0	10,090,000	6,255,994	16,345,994
2025-2031	0	0	0	19,135,000	3,528,115	22,663,115
Totals	<u>\$1,242,585</u>	<u>\$355,355</u>	<u>\$1,597,940</u>	<u>\$42,765,000</u>	<u>\$39,013,266</u>	<u>\$81,778,266</u>

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 15 - INTERFUND BALANCE/TRANSFERS

Interfund balances at June 30, 2004, consist of the following individual receivables and payables:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds				
General	\$0	\$245,191	\$38,610	\$0
Non-Major Governmental				
Special Revenue Funds	245,191	0	0	38,610
Total	<u>\$245,191</u>	<u>\$245,191</u>	<u>\$38,610</u>	<u>\$38,610</u>

The interfund activity from the general fund to the nonmajor special revenue funds were to cover timing differences in the various grants funds. The District expects to receive the grant monies within one year and the transfers and advances will be repaid to the general fund.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two business-type activities to account for the uniform school supplies and adult education and latchkey program. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Milford Exempted Village School District as of and for the fiscal year ended June 30, 2004.

	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$334,469	\$917,457	\$1,251,926
Depreciation	0	11,641	11,641
Operating Income (Loss)	(25,332)	136,414	111,082
Net Working Capital	184,012	575,023	759,035
Total Assets	187,681	926,314	1,113,995
Long term Obligations:			
Compensated Absences	0	18,525	18,525
Intergovernmental Payable	0	60,720	60,720
Total Equity	184,869	755,519	940,388
Encumbrances June 30, 2004	68,227	217,785	286,012

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Totals
Set-aside Carryover Balance as of June 30, 2003	(\$734,370)	\$0	(\$734,370)
Current Year Set-aside Requirement	831,690	831,690	1,663,380
Qualifying Disbursements	(1,277,011)	(23,212,082)	(24,489,093)
Total	<u>(1,179,691)</u>	<u>(22,380,392)</u>	<u>(23,560,083)</u>
Set-aside Carryover Balance as of June 30, 2004	<u>(\$1,179,691)</u>	<u>\$0</u>	
Amount restricted for School Bus Purchase Allowance			38,190
Total Restricted Assets			<u>\$38,190</u>

Amounts of qualifying disbursements for textbooks in the table reduced the year end amount of the set aside to below zero. This extra amount may be used to reduce the set-side requirement in future years.

NOTE 18 -JOINTLY GOVERNED ORGANIZATIONS

Hamilton/Clermont Cooperative Association

The Milford Exempted Village School District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$87,762 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from Al Porter, director, their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Great Oaks Joint Vocational School

The Great Oaks Joint Vocational School, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board, which possesses its own budgeting and taxing authority. Great Oaks Joint Vocational School was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Milford Exempted Village School District. The School District has no ongoing financial interest in nor responsibility for the Vocational School. Complete financial statements for Great Oaks Joint Vocational School can be obtained from the treasurer, John Wahle, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 19 - INSURANCE PURCHASING POOL

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

NOTE 20 - CONTRACTUAL COMMITMENTS

The District is in the process of building several new school buildings. The following is a list of the significant contractual commitments of the District.

Contractor	Remaining Balance as of June 30, 2004
J & B Steel Erectors	\$193,431
Skillman Corporation	61,480
Slone Voorhis	93,938
Total	\$348,849

Milford Exempted Village School District
 Clermont County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2004

NOTE 21 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

NOTE 22 - PRIOR PERIOD ADJUSTMENT

At June 30, 2003, the School District restated the beginning balance due to the improper accrual of receivables as deferred revenue, which should have been reported as revenue. Therefore, beginning balances were understated and adjustments were made to correct the June 30, 2003 balances

	General Fund	Other Governmental Funds	Governmental Activities
Net Assets/Fund Balance at June 30, 2003	\$7,981,482	\$1,715,464	\$27,164,725
Overstatement of Deferred Revenue	90,000	20,183	110,183
Adjusted Net Assets/Fund Balance at June 30, 2003	<u>\$8,071,482</u>	<u>\$1,735,647</u>	<u>\$27,274,908</u>

	Proprietary Funds	Business-Type Activities
Net Assets at June 30, 2003	\$827,918	\$827,918
Overstatement of Deferred Revenue	1,388	1,388
Adjusted Net Assets at June 30, 2003	<u>\$829,306</u>	<u>\$829,306</u>

Milford Exempted Village School District
Clermont County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 23 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Litigation:

As of June 30, 2004, the School District did not have any pending litigation or potential liabilities that would have a material effect on the financial statements.

NOTE 24 - RELATED PARTY TRANSACTIONS

The School District and Superintendent entered into a promissory note during fiscal year 2001. The principal amount of \$35,666 is due in monthly installments at an interest rate of 3.8% with a final maturity date of September 2005. During 2004, the School District received the final payments in the General Fund towards the payment of this obligation. As of June 30, 2004, the obligation has been fully retired.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2004

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Lunch Program	LL-P4 2004	10.555	\$235,057	\$235,057
Total U.S. Department of Agriculture			<u>235,057</u>	<u>235,057</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2004	84.010	304,910	333,809
<i>Special Education Cluster:</i>				
Special Education - Grants to States (IDEA Part B)	6B-SF 04	84.027	1,149,334	650,328
Special Education - Preschool Grant	PG-S1 04	84.173	<u>56,212</u>	<u>34,711</u>
Total Special Education Cluster			<u>1,205,546</u>	<u>685,039</u>
Safe and Drug-Free Schools and Communities_National Program	T4-S1 04	84.184C	2,310	7,164
Safe and Drug-Free Schools and Communities	DR-S1 04	84.186	24,579	23,291
Innovative Educational Program Strategies	C2-S1 04	84.298	73,390	34,711
Technology Literacy Challenge	TJ-S1 04	84.318	14,279	6,630
Special Ed-State Program Improvement Grant for Disabilities	ST-S1 03	84.323	86,800	139,117
Small Learning Community Grant		84.215L	13,797	10,968
Vocational Education - Basic Grant to State	N/A	84.048	7,646	9,930
School Renovation Grant	AT-S3 03	84.352	0	186
Improving Teacher Quality	TR-S1 04	84.367	<u>185,019</u>	<u>195,095</u>
Total U.S. Department of Education			<u>1,918,276</u>	<u>1,445,940</u>
Total Federal Financial Assistance			<u><u>\$2,153,333</u></u>	<u><u>\$1,680,997</u></u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2004, the District received \$129,773 and used \$129,773 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2004, the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Education
Milford Exempted Village School District
745 Center Street
Milford, Ohio 45150

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milford Exempted Village School District (the District) as of and for the year ended June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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*. We did note certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated April 21, 2005.

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.

Board of Education
Milford Exempted Village School District
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

We did note one matter involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated April 21, 2005.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

April 21, 2005

**Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133**

Board of Education
Milford Exempted Village School District
745 Center Street
Milford, Ohio 45150

Compliance

We have audited the compliance of Milford Exempted Village School District (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 its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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 its major federal program for the year ended June 30, 2004.

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
Milford Exempted Village School District
Report on Compliance with Requirements Applicable to Each Major
Program and Internal Control over Compliance in Accordance with
OMB Circular A-133

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

April 21, 2005

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT
CLERMONT COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	Title I CFDA # 84.010 and Improving Teacher Quality CFDA # 84.367
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Prior Audit Findings
For the Year Ended June 30, 2004

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. ORC 5705.41(D) - failure to certify funds.	Corrected	



**Auditor of State
Betty Montgomery**

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MILFORD EXEMPTED VILLAGE SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2005**