



**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Millcreek-West Unity Local School District
Williams County
113 South Defiance Street, P.O. Box 505
West Unity, Ohio 43570-0505

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, Ohio, as of June 30, 2007 and the respective changes in modified cash financial position and the budgetary comparison for the General fund and for the year then ended in conformity with the basis of accounting in Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 15, 2007

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the financial performance of Millcreek-West Unity Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$11,377,235.
- General revenues accounted for \$23,299,139, or 86 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$3,715,600, or 14 percent of total revenues of \$27,014,739.
- The District's major funds included the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund.
- The General Fund had \$6,027,111 in receipts and other financing sources and \$5,520,552 in disbursements and other financing uses. The General Fund's balance increased \$506,559 from the prior fiscal year.
- The Bond Retirement Fund had \$9,406,358 in receipts and other financing sources and \$9,224,452 in disbursements and other financing uses. The Bond Retirement Fund's balance increased \$181,906 from the prior fiscal year.
- The Building Fund had \$1,939,215 in receipts and other financing sources and \$1,300 in disbursements. The Building Fund's balance increased \$1,937,915 from the prior fiscal year.
- The Classroom Facilities Fund had \$9,034,302 in receipts and other financing sources and \$307,438 in disbursements. The Classroom Facilities Fund's balance increased \$8,726,864 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.
- The District issued \$8,709,000 in bond anticipation notes to finance its share of costs related to the construction of new school facility through the Ohio School Facilities Commission. The total construction cost of the project is \$20,750,198 which includes \$13,902,633 to be funded by the State of Ohio. The District retired these notes with the proceeds from the issuance of \$8,709,000 in general obligation bonds.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The statement of net assets and the statement of activities, both reported on the modified cash basis, provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund are the District's major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the modified cash basis, reflects how the District did financially during fiscal year 2007. These statements are reported on the modified cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets, modified cash basis, and the statement of activities, modified cash basis, the District discloses a single type of activity - governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the modified cash basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006. The increase in cash was attributed to the building construction grant money revenues and bond proceeds received in fiscal year 2007.

**Table 1
Net Assets – Modified Cash Basis
Governmental Activities**

	2007	2006
<u>Assets:</u>		
Current and Other Assets	\$12,181,511	\$804,276
Total Assets	12,181,511	804,276
 <u>Net Assets:</u>		
Restricted	11,315,918	786,105
Unrestricted	865,593	18,171
Total	\$12,181,511	\$804,276

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006. Capital grants and contributions, Income tax, general obligation bonds issued, and notes issued had substantial increases during the fiscal year.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets – Modified Cash Basis
Governmental Activities**

	2007	2006
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$854,124	\$840,572
Operating Grants, Contributions and Interest	596,959	388,070
Capital Grants and Contributions	2,264,517	6,912
Total Program Revenues	<u>3,715,600</u>	<u>1,235,554</u>
General Revenues:		
Property Taxes	1,908,257	1,866,727
Income Taxes	622,876	404,261
Grants and Entitlements	2,868,957	2,876,322
Gifts and Donations	4,361	9,570
Investment Earnings	67,630	33,641
Miscellaneous	41,888	31,158
Advances Net		300
General Obligation Bonds Issued	8,708,172	
Notes Issued	8,709,000	
Premium on Bonds and Notes Issued	357,619	
Proceeds from Sale of Capital Assets	8,723	2,165
Refund of Prior Year Expenditures	1,671	
Total General Revenues	<u>23,299,139</u>	<u>5,224,144</u>
Total Revenues	<u>27,014,739</u>	<u>6,459,698</u>
Expenses:		
Instruction	3,740,922	3,602,130
Support Services:		
Pupils	155,418	149,483
Instructional Staff	226,635	138,599
Board of Education	31,121	28,139
Administration	561,517	577,724
Fiscal	131,336	148,754
Operation and Maintenance of Plant	516,220	486,942
Pupil Transportation	286,829	298,733
Central	52,298	48,458
Non-Instructional	214,908	225,843
Extracurricular Activities	252,653	245,476
Capital Outlay	314,356	6,405
Principal	8,794,000	94,000
Interest and Fiscal Charges	359,220	9,698
Refund of Prior Year Receipt	86	
Total Expenses	<u>15,637,519</u>	<u>6,060,384</u>
Increase in Net Assets	<u>\$11,377,235</u>	<u>\$399,314</u>

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
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(Continued)**

Program receipts account for 14 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

With the exception of Debt Service expenditures (Principal, Interest and Fiscal Charges), the major program disbursements for governmental activities are for instruction, which accounts for 24 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 4 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 3 percent, principal and interest payments for bonds and notes represent 59 percent. The remaining 10 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, modified cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Instruction	\$3,740,922	\$2,627,835	\$3,602,130	2,688,643
Support Services:				
Pupils	155,418	153,418	149,483	149,483
Instructional Staff	226,635	226,635	138,599	138,599
Board of Education	31,121	31,121	28,139	28,139
Administration	561,517	552,231	577,724	569,282
Fiscal	131,336	131,336	148,754	148,754
Operation and Maintenance of Plant	516,220	516,220	486,942	486,942
Pupil Transportation	286,829	269,917	298,733	298,733
Central	52,298	52,298	48,458	48,458
Non-Instructional	214,908	(14,934)	225,843	(564)
Extracurricular Activities	252,653	174,997	245,476	160,983
Capital Outlay	314,356	(1,952,461)	6,405	3,680
Principal	8,794,000	8,794,000	94,000	94,000
Interest and Fiscal Charges	359,220	359,220	9,698	9,698
Refund of Prior Year Receipt	86	86		
Total Expenses	<u>\$15,637,519</u>	<u>\$11,921,919</u>	<u>\$6,060,384</u>	<u>\$4,824,830</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 70 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 76 percent. The remaining 24 percent are derived from tuition and fees, specific grants, and donations.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The District's Funds

The District's governmental funds are accounted for using the modified cash basis of accounting. The District's major governmental funds were the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund. Total governmental funds had receipts and other financing sources of \$27,079,027 and disbursements and other financing uses of \$15,701,792. The net positive change of \$11,377,235 in fund balance for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General Fund budget as needed. Final expenditures were budgeted at \$5,829,821 (less than 1% greater than the original budget) while actual expenditures were \$5,608,020, which was approximately 4% less than anticipated.

Debt Administration

At June 30, 2007, the District had \$8,708,172 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2035. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2007, the District's overall legal debt margin was \$5,836,491, with an un-voted debt margin of \$64,850.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. West Unity is a small rural community of 1,790 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the State biennium budget. 65.3 percent of District revenue sources is from bonds and notes issued, 15.3 percent is from local funds, 18.1 percent is from State funds, and the remaining 1.3 percent is from Federal funds. The total expenditure per pupil was calculated at \$7,496.

In May 2006, the District's voters approved a 10.4 mill Bond Issue Levy for 28 years and an additional .5 mill Maintenance Levy for 23 years to pay the Local share of a new school with the Ohio School Classroom Facilities Program.

The District is currently in the Design Development phase of the project with completion and move in slated for the fall of 2009.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Marilyn Wreede, Treasurer, Millcreek-West Unity Local School District, 113 South Defiance Street, P.O. Box 505, West Unity, OH 43570-0505.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets - Modified Cash Basis
June 30, 2007**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 12,181,511
Total Assets	<u>12,181,511</u>
NET ASSETS:	
Restricted for Debt Service	334,366
Restricted for Capital Outlay	10,664,779
Restricted for Other Purposes	119,116
Restricted for Set Assets	197,657
Unrestricted	865,593
Total Net Assets	<u>\$ 12,181,511</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 2,608,613	\$ 617,871	\$ 71,371		\$ (1,919,371)
Special	773,644		410,121		(363,523)
Vocational	86,752		12,760		(73,992)
Other	271,913		964		(270,949)
Support Services:					
Pupils	155,418		2,000		(153,418)
Instructional Staff	226,635				(226,635)
Board of Education	31,121				(31,121)
Administration	561,517	4,286	5,000		(552,231)
Fiscal	131,336				(131,336)
Operation and Maintenance of Plant	516,220				(516,220)
Pupil Transportation	286,829		16,912		(269,917)
Central	52,298				(52,298)
Operation of Non-Instructional Services	214,908	154,311	75,531		14,934
Extracurricular Activities	252,653	77,656			(174,997)
Capital Outlay	314,356		2,300	\$ 2,264,517	1,952,461
Debt Service:					
Principal	8,794,000				(8,794,000)
Interest and Fiscal Charges	359,220				(359,220)
Refund of Prior Year Receipts	86				(86)
Totals	<u>\$ 15,637,519</u>	<u>\$ 854,124</u>	<u>\$ 596,959</u>	<u>\$ 2,264,517</u>	<u>(11,921,919)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					1,593,199
Property Taxes, Levied for Debt Service					302,165
Property Taxes, Levied for Other Purposes					12,893
Income Taxes					622,876
Grants and Entitlements not Restricted to Specific Programs					2,868,957
Gifts and Donations					4,361
Investment Earnings					67,630
Miscellaneous					41,888
General Obligation Bonds Issued					8,708,172
Bond Anticipation Notes Issued					8,709,000
Premium on Bonds and Notes Issued					357,619
Proceeds from Sale of Capital Assets					8,723
Refund of Prior Year Expenditures					1,671
Total General Revenues					<u>23,299,154</u>
Change in Net Assets					<u>11,377,235</u>
Net Assets Beginning of Year					<u>804,276</u>
Net Assets End of Year					<u>\$ 12,181,511</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 865,593	\$ 334,366	\$ 1,937,915	\$ 8,726,864	\$ 119,116	\$ 11,983,854
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	197,657					197,657
Total Assets	<u>\$ 1,063,250</u>	<u>\$ 334,366</u>	<u>\$ 1,937,915</u>	<u>\$ 8,726,864</u>	<u>\$ 119,116</u>	<u>\$ 12,181,511</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$ 87,468			\$ 965,208	\$ 11,856	\$ 1,064,532
Reserved for Textbooks and Instructional Materials	197,657					197,657
Unreserved, Undesignated, Reported in:						
General Fund	778,125					778,125
Special Revenue Funds					107,260	107,260
Debt Service Funds		\$ 334,366				334,366
Capital Projects Funds			\$ 1,937,915	7,761,656		9,699,571
Total Fund Balances	<u>\$ 1,063,250</u>	<u>\$ 334,366</u>	<u>\$ 1,937,915</u>	<u>\$ 8,726,864</u>	<u>\$ 119,116</u>	<u>\$ 12,181,511</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Modified Cash Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property and Other Local Taxes	\$ 1,593,199	\$ 302,165			\$ 12,893	\$ 1,908,257
Income Tax	622,876					622,876
Intergovernmental	3,045,979	30,896		\$ 1,827,301	389,041	5,293,217
Interest	60,124	7,506	\$ 77,780	359,436		504,846
Tuition and Fees	581,384				30,984	612,368
Rent	2,444					2,444
Extracurricular Activities					81,592	81,592
Gifts and Donations	1,491				2,870	4,361
Customer Sales and Services	3,059				154,661	157,720
Miscellaneous	41,888					41,888
Total Revenues	<u>5,952,444</u>	<u>340,567</u>	<u>77,780</u>	<u>2,186,737</u>	<u>672,041</u>	<u>9,229,569</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	2,541,049				67,564	2,608,613
Special	517,861				255,783	773,644
Vocational	86,752					86,752
Other	270,949				964	271,913
Support Services:						
Pupils	152,418				3,000	155,418
Instructional Staff	224,385				2,250	226,635
Board of Education	31,121					31,121
Administration	545,569	6,959			8,989	561,517
Fiscal	130,291				1,045	131,336
Operation and Maintenance of Plant	516,220					516,220
Pupil Transportation	286,829					286,829
Central	52,298					52,298
Operation of Non-Instructional Services					214,908	214,908
Extracurricular Activities	164,795				87,858	252,653
Capital Outlay			1,300	307,438	5,618	314,356
Debt Service:						
Principal		8,794,000				8,794,000
Interest and Fiscal Charges		359,220				359,220
Total Expenditures	<u>5,520,537</u>	<u>9,160,179</u>	<u>1,300</u>	<u>307,438</u>	<u>647,979</u>	<u>15,637,433</u>
Excess of Revenues Over (Under) Expenditures	<u>431,907</u>	<u>(8,819,612)</u>	<u>76,480</u>	<u>1,879,299</u>	<u>24,062</u>	<u>(6,407,864)</u>
OTHER FINANCING SOURCES AND USES:						
Transfers In	64,273					64,273
General Obligation Bonds Issued		8,708,172				8,708,172
Bond Anticipation Notes Issued			1,861,435	6,847,565		8,709,000
Premium on Bonds and Notes Issued		357,619				357,619
Proceeds from the Sale of Capital Assets	8,723					8,723
Refund of Prior Year Expenditures	1,671					1,671
Transfers Out		(64,273)				(64,273)
Refund of Prior Year Receipts	(15)				(71)	(86)
Total Other Financing Sources and Uses	<u>74,652</u>	<u>9,001,518</u>	<u>1,861,435</u>	<u>6,847,565</u>	<u>(71)</u>	<u>17,785,099</u>
Net Change in Fund Balances	506,559	181,906	1,937,915	8,726,864	23,991	11,377,235
Fund Balance at Beginning of Year	556,691	152,460			95,125	804,276
Fund Balance at End of Year	<u>\$ 1,063,250</u>	<u>\$ 334,366</u>	<u>\$ 1,937,915</u>	<u>\$ 8,726,864</u>	<u>\$ 119,116</u>	<u>\$ 12,181,511</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison**

General Fund

For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,675,000	\$ 1,591,600	\$ 1,593,199	\$ 1,599
Income Tax	525,000	620,000	622,876	2,876
Intergovernmental	3,088,060	3,030,188	3,045,979	15,791
Interest	25,000	55,000	60,124	5,124
Tuition and Fees	530,000	575,755	581,384	5,629
Rent	200	2,400	2,444	44
Gifts and Donations	300	300	1,491	1,191
Customer Sales and Services			3,059	3,059
Miscellaneous	30,100	30,600	41,888	11,288
Total Revenues	<u>5,873,660</u>	<u>5,905,843</u>	<u>5,952,444</u>	<u>46,601</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,604,030	2,587,746	2,550,466	37,280
Special	617,126	523,076	517,861	5,215
Vocational	90,810	95,810	86,940	8,870
Other	251,750	284,250	270,949	13,301
Support Services:				
Pupils	157,368	155,618	152,540	3,078
Instructional Staff	176,660	317,460	278,120	39,340
Board of Education	37,050	42,900	38,050	4,850
Administration	592,467	596,667	546,769	49,898
Fiscal	149,200	149,200	130,442	18,758
Operation and Maintenance of Plant	540,744	540,178	523,540	16,638
Pupil Transportation	332,894	307,894	293,101	14,793
Central	65,000	56,200	52,298	3,902
Extracurricular Activities	174,322	172,622	166,929	5,693
Total Expenditures	<u>5,789,421</u>	<u>5,829,621</u>	<u>5,608,005</u>	<u>221,616</u>
Excess of Revenues Over Expenditures	<u>84,239</u>	<u>76,222</u>	<u>344,439</u>	<u>268,217</u>
Other Financing Sources and Uses:				
Transfers In		64,273	64,273	
Advances In	2,000			
Proceeds from Sale of Capital Assets	100	100	8,723	8,623
Refund of Prior Year Expenditures	50	1,650	1,671	21
Advances Out	(5,000)			
Refund of Prior Year Receipts	(200)	(200)	(15)	185
Total Other Financing Sources and Uses	<u>(3,050)</u>	<u>65,823</u>	<u>74,652</u>	<u>8,829</u>
Net Change in Fund Balances	81,189	142,045	419,091	277,046
Fund Balance at Beginning of Year	537,117	537,117	537,117	
Prior Year Encumbrances Appropriated	19,574	19,574	19,574	
Fund Balance at End of Year	<u>\$ 637,880</u>	<u>\$ 698,736</u>	<u>\$ 975,782</u>	<u>\$ 277,046</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2007**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>22,169</u>	\$ <u>15,390</u>
Total Assets	<u>22,169</u>	<u>15,390</u>
Liabilities		
Current Liabilities:		
Undistributed Monies	<u> </u>	<u>15,390</u>
Total Liabilities	<u> </u>	\$ <u>15,390</u>
Net Assets		
Held in Trust for Scholarships	<u>22,169</u>	<u> </u>
Total Net Assets	<u>\$ <u>22,169</u></u>	<u> </u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 10,090
Total Additions	<u>10,090</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>13,208</u>
Total Deductions	<u>13,208</u>
Change in Net Assets	(3,118)
Net Assets Beginning of Year	<u>25,287</u>
Net Assets End of Year	<u>\$ 22,169</u>

See Accompanying Notes to the Basic Financial Statements

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Millcreek-West Unity Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facility staffed by 26 non-certified and 54 certified personnel who provide services to 756 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government; component units and other organizations are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District and are significant in the amount in the amount of the District. The District does not have any component units.

The District is associated with seven organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Northwest Ohio Educational Council Self-Insurance Pool Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable cash is assigned to the various governmental funds according to the purposes for which it may or must be used. Expenditures are assigned to the fund from which they are paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major funds are the General Fund, the Bond Retirement Fund, the Building Fund and the Classroom Facilities Fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for receipts designated to be used for debt service and related disbursements for bond principal, interest and related costs.

Building Fund – The Building Fund is used to account for the receipts and disbursements related to the construction of locally funded initiatives related to the new school building.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the receipts and disbursements related to the construction of the new school building.

The other governmental funds of the District account for grants and other resources whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. This basis is a comprehensive of accounting other than generally accepted accounting principles.

This basis of accounting is similar to the cash receipts and disbursements basis. Except for reporting investments at fair value, the District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

As a result of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All governmental-wide financials would be presented on the accrual basis of accounting.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the District Treasurer.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash, Cash Equivalents and Investments

The District deposits and invests cash from all funds in a common pool. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented in the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2007, investments were limited to certificates of deposit, federal agency securities, and open end mutual funds. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are valued at cost.

Following state statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$60,124, which included \$6,752 assigned from other District Funds.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for textbooks and instructional materials.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the District.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

These modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

M. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources (uses). The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

N. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

There are no amounts restricted by enabling legislation.

O. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and textbooks.

The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials.

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$87,468
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5. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the 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 that the Board has identified as not required for use within the current five-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 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 or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

3. Written repurchase agreements in the securities listed above, provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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 through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At year end, the District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Investments

As of June 30, 2007, the District had the following investments and maturities:

Investment Type	Investment Maturities		
	Balance at Fair Value	6 Months or Less	7 to 12 Months
Federal Home Loan Mortgage Corporation (FHLMC) Notes	\$989,870		\$989,870
Federal Home Loan Bank (FHLB) Bonds	2,084,820	\$1,094,500	990,320
Federal National Mortgage Association (FNMA) Notes	4,591,202	4,591,202	
Aim Funds Short Term Investments Trust Government and Agency Portfolio (Mutual Fund)	1,340,072	1,340,072	
Total Investments	\$9,005,964	\$7,025,774	\$1,980,190

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS – (Continued)

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk - The Aim Funds Short Term Investments Trust Government and Agency Portfolio (Mutual Fund), Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and Federal Home Loan Bank Bonds carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investments in the Mutual Fund, Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes represent 13, 27, and 60 percent respectively, of the District's total investments.

6. NOTE DEBT

On September 12, 2006, the District issued bond anticipation notes in the amount of \$8,709,000 in anticipation of the issuance of bonds. The proceeds were used to finance the District's local share of the Ohio School Commission Facility project. The notes had an annual interest rate of 4.8 percent. These notes were retired on March 15, 2007 with proceeds from the sale of general obligation bonds \$8,708,172 along with interest in the amount of \$210,177.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2007 were as follows:

	Principal Outstanding at 06/30/06	Additions	Deductions	Principal Outstanding at 06/30/07	Due Within One Year
1995 School Improvement Bonds Rate 7.50%	\$85,000		\$85,000		
2006 School Improvement Bonds Current Interest Bonds (Serial) Rate 4.00%		3,400,000		\$3,400,000	\$215,000
Current Interest Bonds (Term) Rate 4.125%		5,145,000		5,145,000	
Capital Appreciation Bonds Rate 18.7588406%		163,172		163,172	
Total Debt Obligation	<u>\$85,000</u>	<u>\$8,708,172</u>	<u>\$85,000</u>	<u>\$8,708,172</u>	<u>\$215,000</u>

Total expenditures for interest for the above debt for the period ended June 30, 2007, was \$3,188.

1986 School Improvement Bonds – On May 1, 1986, the District issued \$1,700,000 in voted general obligation bonds for constructing additions to, renovating, remodeling, furnishing and equipping existing school buildings and clearing and improving school sites. The bonds were retired from the Bond Retirement Fund from a voted tax levy.

2006 School Improvement Bonds – On November 30, 2006, the District issued \$8,708,172 in voted general obligation bonds for the purpose paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with land acquisition and other improvements to school facilities, equipment, site improvements, and all necessary appurtenances thereto. The bonds will be retired from the Bond Retirement Fund from a voted tax levy. There was \$145,855 in issuance costs related to this debt recorded in 2007.

The Bonds are issuable as Bonds which pay interest semiannually (the “Current Interest Bonds”) and as Bonds which do not pay interest currently but accrete in value in lieu thereof until their maturity date (the “Capital Appreciation Bonds”). The Bonds will be dated, mature, and bear interest or, in the case of the Capital Appreciation Bonds, accrete in value, all as more particularly described herein.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. LONG TERM OBLIGATIONS – (Continued)

The Current Interest Bonds

The Current Interest Bonds are issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Annual principal, and any premium, on all Current Interest Bonds are payable upon presentation and surrender by the registered owner thereof at the principal office of the Registrar. Semiannual interest on the Current Interest Bonds is payable each June 1 and December 1, commencing December 1, 2007, by check or draft to be mailed by the Paying Agent and Registrar to the registered owner as shown in the registration records maintained by the Paying Agent and Registrar as bond registrar on the 15th day of the month preceding such interest payment date.

The Current Interest Bonds are dated December 13, 2006 if authenticated prior to the first interest payment date of the Current Interest Bonds and otherwise will be dated as of the interest payment date next preceding the date the Current Interest Bonds are authenticated except that if the Current Interest Bonds are authenticated on an interest payment date they will be dated as of such date of authentication; provided that if at the time of authentication, interest thereon is in default, they will be dated as of the date to which interest has been paid.

Redemption of Current Interest Bonds

Mandatory Sinking Fund Redemption

The Bonds due December 1, 2028, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023, and on each December 1, thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2023	\$340,000
2024	355,000
2025	370,000
2026	380,000
2027	400,000

Unless otherwise called for redemption, the remaining \$415,000 principal amount of the Bonds due December 1, 2028, is to be paid at stated maturity.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. LONG TERM OBLIGATIONS – (Continued)

The Bonds due December 1, 2034, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Principal Amount to be Redeemed
2029	\$435,000
2030	450,000
2031	470,000
2032	490,000
2033	510,000

Unless otherwise called for redemption, the remaining \$530,000 principal amount of the Bonds due December 1, 2024 is to be paid at stated maturity.

Optional Redemption

The Current Interest Bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2016 at par, which is 100% of the face value of the Current Interest Bonds.

The Capital Appreciation Bonds

The Capital Appreciation Bonds will be dated their date of issuance. The Capital Appreciation Bonds do not bear current interest, but will accrete in value from their date of issuance. The accreted value so accrued and compounded shall be the Compound Accreted Amount. Payment of the Compound Accreted Amount shall be made upon presentation and surrender thereof at the principal office of the Paying Agent and Registrar. The Compound Accreted Amount of the Capital Appreciation Bonds as of each Compound Date is set forth in the Accretion Table provided below.

Maturity Date	Original Principal Amount	Accreted Value at Maturity
2014	\$64,711	\$270,000
2015	54,089	270,000
2016	44,372	265,000

The Capital Appreciation Bonds are not subject to redemption prior to scheduled maturity.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. LONG TERM OBLIGATIONS – (Continued)

The annual requirements to service the principal and interest of the general obligation debt to maturity are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$215,000	\$506,439	\$721,439
2009	210,000	335,431	545,431
2010	220,000	326,831	546,831
2011	230,000	317,831	547,831
2012	240,000	308,431	548,431
2013 - 2017	673,172	2,078,585	2,751,757
2018 - 2022	1,450,000	1,275,756	2,725,756
2023 – 2027	1,770,000	951,228	2,721,228
2028 – 2032	2,170,000	546,563	2,716,563
2033 - 2035	1,530,000	96,319	1,626,319
Total	<u>\$8,708,172</u>	<u>\$6,743,414</u>	<u>\$15,451,586</u>

The District's overall debt margin was \$5,836,491 with an unvoted debt margin of \$64,850 at June 30, 2007.

8. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property, public utility property, and tangible personal (used in business) property located in the area served by the District. Real property tax revenues received in calendar year 2007 represent the collection calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market 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.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. PROPERTY TAXES – (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2007 taxes are based are as follows:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$42,660,710	71%	\$48,057,340	74%
Industrial/Commercial	6,784,610	11%	8,603,500	13%
Public Utility	2,450,430	4%	2,522,250	4%
Tangible Personal	8,373,970	14%	5,666,880	9%
Total Assessed Value	<u>\$60,269,720</u>	<u>100%</u>	<u>\$64,849,970</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$52.90		\$63.40	

9. INCOME TAX

In 2004, the voters of the District passed a one percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2007, the District recorded income tax revenue of \$622,876 in the General Fund.

10. RISK MANAGEMENT

A. Comprehensive

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (the Program), a public entity insurance purchasing pool, which consists of school districts within Northwest Ohio (Note 16). The District pays annual premiums into the program for comprehensive insurance coverage including liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. The Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. RISK MANAGEMENT – (Continued)

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities (Note 16). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$82,250, \$79,350, and \$76,360, respectively, equal to 100 percent of the required contributions for each year.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a financial report, obtainable by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 percent 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. DEFINED BENEFIT PENSION PLAN – (Continued)

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 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, presently 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$406,757, \$383,166 and \$403,880, respectively, equal to 100 percent of the required contributions for each year.

12. POST-EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$31,289 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. POST-EMPLOYMENT BENEFITS – (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$35,751.

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 projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

13. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 38 days. For employees with 10-19 years of service, the maximum is 48 days; for employees with 20 or more years of service, the maximum is 58 days.

14. STATUTORY RESERVES

The District is required by State Statute to annually set aside in the General Fund an amount based on the 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 purpose in future years. The following modified 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.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. STATUTORY RESERVES – (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Balance as of June 30, 2006	\$268,368	\$270,152	\$538,520
Current Year Set-aside Requirement	105,493	105,493	210,986
Current Year Offsets		(370,334)	(370,334)
Qualifying Disbursements	(176,204)	(40,314)	(216,518)
Total	<u>\$197,657</u>	<u>(\$35,003)</u>	<u>\$162,654</u>
Balance Carried Forward to FY 2008	<u>\$197,657</u>		<u>\$197,657</u>
Total Restricted Cash Assets	<u>\$197,657</u>		<u>\$197,657</u>

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. 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 school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. The District paid \$65,496 for services rendered through NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District made no payments to NBEC. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. The District made no payments to the Four County Career Center. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. The District paid \$530 for services rendered through NOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program includes health, dental, life and vision insurance plans. The health and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contract with any third-party claims administrator or insurance company. The insurance group is governed by a council of two representatives from each of the four counties, in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. GROUP PURCHASING POOLS – (Continued)

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

C. Northwest Ohio Educational Council Self-Insurance Pool Program

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program), which is an insurance purchasing pool. The NOEC Program was created and organized pursuant and as authorized by Section 2744.081 of the Ohio Revised Code. The Northwest Ohio Educational Council (NWOEC) is a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The NOEC Program is a non-profit organization to its members and an instrumentality for each member for the purpose of enabling members of the NOEC Program to provide for a formalized, joint insurance program to maintain adequate insurance protection, risk management programs, and other administrative services. The NOEC Program's business and affairs are conducted by a nine member Insurance Committee created by the governing board of the NWOEC. The NOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing.

17. CONTINGENCIES

A. Grants

The 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 District at June 30, 2007.

B. Litigation

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

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. INTERFUND BALANCES

A. INTERFUND TRANSFERS

Transfers between funds during the year ended June 30, 2007 as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General	\$64,273	
Bond Retirement		\$64,273
Total	<u>\$64,273</u>	<u>\$64,273</u>

On January 29, 2007, the District obtained a court order from the Court of Common Pleas to transfer the unexpended balance of the Bond Retirement Fund to the General Fund. The related debt was paid off on November 13, 2006.

B. INTERFUND ADVANCES

A short term loan was made in 2003 from the General Fund to the Yearbook Fund, a special revenue fund. The \$2,000 remaining to be paid to the General fund on this loan was converted to a transfer by the Board of Education on October 23, 2006.

19. SUBSEQUENT EVENTS

On October 8, 2007, the District awarded a bid in the amount of \$589,000 to Heer Excavating, Inc. for early site work for the new school facility construction project. The bid was subsequently approved by the Ohio School Facilities Commission.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Millcreek-West Unity Local School District
Williams County
113 South Defiance Street, P.O. Box 505
West Unity, Ohio 43570-0505

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated November 15, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 15, 2007.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 15, 2007

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code §117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles

Officials Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2007-002

Significant Deficiency - Financial Reporting

The District has elected to present its financial statements according to the American Institute of Certified Public Accountant’s interpretation; it must adjust its financial statements to substantially conform to the display and now applicable disclosure requirements of Generally Accepted Accounting Principles (GAAP). According to the interpretation, the cash basis financial statement presentation must “look like” a GAAP presentation (i.e., GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, once it became effective).

The presentation requires that a statement of activities is presented in a format that reports the net (disbursements) receipts of the District’s individual functions (Instruction, Support Services, Extracurricular Activities, etc) with the objective to report the relative financial burden of the District’s functions to its taxpayers.

In order to achieve this, certain revenues that derive directly from the function itself or from parties outside the District’s taxpayers or citizenry and help to reduce the net cost of the function are presented as program revenues.

**FINDING NUMBER 2007-002
(Continued)**

Interest earnings of \$437,216 from the Building and Classroom Facilities Funds were presented as Investment Earnings, general revenues. These should have been reported as Capital Grants and Contributions, program revenues, netted against the capital outlay function. An audit adjustment was made to correct this error.

In addition, the District failed to carryover \$406,913 in set aside balances from the prior year. Current year set-aside requirements were underreported by \$105,493. Current year offsets and qualifying set aside disbursements were underreported by \$370,334 and \$74,660, respectively. This resulted in the underreporting of Restricted Cash by \$102,415 and Reserve for Textbooks and Instructional Supplies by \$102,415.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions. The Treasurer should also review the Uniform School Accounting System manual's chart of accounts to ensure that all accounts are being properly posted to the financial statements and program revenues are properly mapped to its governmental functions on the Statement of Activities.

Officials Response:

Management did not respond to this finding.

FINDING NUMBER 2007-003

Significant Deficiency - Sales Project Potential Forms

Sales Project Potential Forms were not completed for several fund raisers. To help insure that class/project fundraiser revenue is properly accounted for and the full amount of profit for the fundraiser is realized by the class or organization, we recommend a Sales Project Potential Form be completed for each project by the project advisor to summarize the financial activity of the project. The form should initially be submitted for approval of the fundraiser by the appropriate personnel. Once the project is approved and completed, it should be sent to the appropriate personnel for final approval. Once approved, the form should be submitted to the Treasurer. The Treasurer should reconcile the financial activity indicated on the form with the financial activity posted for the fundraiser on the District books.

Officials Response:

Management did not respond to this finding.

**MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Administrative Code § 117-2-03(B) – Not reporting on GAAP.	No	Not Corrected. Reissued as finding 2007-001.
2006-002	Reportable Condition – Financial Reporting: District failed to carryover correct set aside balances and underreported qualifying disbursements.	No	Not Corrected. Reissued as finding 2007-002.
2006-003	Reportable Condition – Sales Project Potential forms: These were not completed.	No	Not Corrected. Reissued as finding 2007-003.



Mary Taylor, CPA
Auditor of State

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2008**