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**Milton-Union Exempted Village School District**  
**Miami County, Ohio**

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report)





# Dave Yost • Auditor of State

Board of Education  
Milton Union Exempted Village School District  
112 South Spring Street  
West Milton, Ohio 45383

We have reviewed the *Independent Auditors' Report* of the Milton Union Exempted Village School District, Miami County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 11, 2011

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis .....	3-12
Statement of Net Assets .....	14
Statement of Activities .....	15
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund .....	22-23
Statement of Net Assets – Fiduciary Funds .....	24
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust .....	25
Notes to the Basic Financial Statements .....	26-52
Schedule of Expenditures of Federal Awards .....	53
Notes to the Schedule of Expenditures of Federal Awards .....	54
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	55-56
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	57-58
Schedule of Findings and Questioned Costs .....	59-60
Schedule of Prior Audit Findings .....	61

## **INDEPENDENT AUDITORS' REPORT**

Board of Education  
Milton-Union Exempted Village School District  
112 South Spring Street  
West Milton, Ohio 45383

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District) as of and for the year ended June 30, 2010, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

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

*Clark, Schaefer, Hachett & Co.*

Springfield, Ohio  
December 13, 2010

# **MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

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The discussion and analysis of Milton-Union Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2010 are as follows:

- Net assets increased \$1,103,398. This represented a 3% increase from the previous year.
- General revenues accounted for \$14,837,686 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,981,646 or 17% of total revenues of \$17,819,332.
- The District had \$16,715,934 in expenses related to governmental activities; \$2,981,646 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,837,686 were also available to provide for these programs.
- The general fund had \$13,298,079 in revenues and \$12,790,699 in expenditures. The general fund's fund balance increased \$127,078 to \$3,861,814.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.



# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010***

***Unaudited***

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The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

*Governmental Activities* – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

***Governmental Funds*** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Fiduciary Funds*** – The District is the trustee, or fiduciary, for various student-managed activity programs, various scholarship programs and other items listed as agency and private purpose. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

*Unaudited*

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2010 compared to 2009.

	Governmental Activities		Increase (Decrease)
	2010	2009	
Current and other assets	\$56,353,130	\$55,132,985	\$1,220,145
Capital assets, Net	8,538,760	5,165,317	3,373,443
Total assets	64,891,890	60,298,302	4,593,588
Long-term liabilities	24,662,543	16,237,536	8,425,007
Other liabilities	7,280,596	12,215,413	(4,934,817)
Total liabilities	31,943,139	28,452,949	3,490,190
Net assets			
Invested in capital assets, net of related debt	4,319,904	4,426,952	(107,048)
Restricted	25,992,489	25,942,622	49,867
Unrestricted	2,636,358	1,475,779	1,160,579
Total net assets	\$32,948,751	\$31,845,353	\$1,103,398

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**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2010 compared with 2009:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Revenues			
Program revenues:			
Charges for Services and Sales	\$1,370,609	\$1,307,656	\$62,953
Operating Grants and Contributions	1,611,037	1,026,026	585,011
Capital Grants and Contributions	<u>0</u>	<u>23,818,908</u>	<u>(23,818,908)</u>
Total Program Revenues	2,981,646	26,152,590	(23,170,944)
General revenues:			
Property Taxes	5,411,774	5,373,223	38,551
Income Taxes	1,831,104	372,005	1,459,099
Intergovernmental, Unrestricted	7,074,028	7,452,508	(378,480)
Other	<u>520,780</u>	<u>263,848</u>	<u>256,932</u>
Total General Revenues	<u>14,837,686</u>	<u>13,461,584</u>	<u>1,376,102</u>
Total Revenues	17,819,332	39,614,174	(21,794,842)
Program Expenses			
Instruction	9,048,494	8,339,738	708,756
Support Services:			
Pupils	831,246	806,740	24,506
Instructional Staff	788,855	776,765	12,090
Board of Education	108,064	72,191	35,873
Administration	1,227,762	1,123,591	104,171
Fiscal Services	479,476	400,555	78,921
Business	139,779	130,092	9,687
Operation and Maintenance of Plant	963,933	993,695	(29,762)
Pupil Transportation	668,798	875,077	(206,279)
Central	376,031	338,326	37,705
Operation of Non-Instructional Services	627,296	619,080	8,216
Community Services	10,387	0	10,387
Extracurricular Activities	529,621	567,152	(37,531)
Interest and Fiscal Charges	<u>916,192</u>	<u>83,924</u>	<u>832,268</u>
Total expenses	<u>16,715,934</u>	<u>15,126,926</u>	<u>1,589,008</u>
Total Change in Net Assets	1,103,398	24,487,248	(23,383,850)
Beginning Net Assets	<u>31,845,353</u>	<u>7,358,105</u>	<u>24,487,248</u>
Ending Net Assets	<u><u>\$32,948,751</u></u>	<u><u>\$31,845,353</u></u>	<u><u>\$1,103,398</u></u>

# **MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

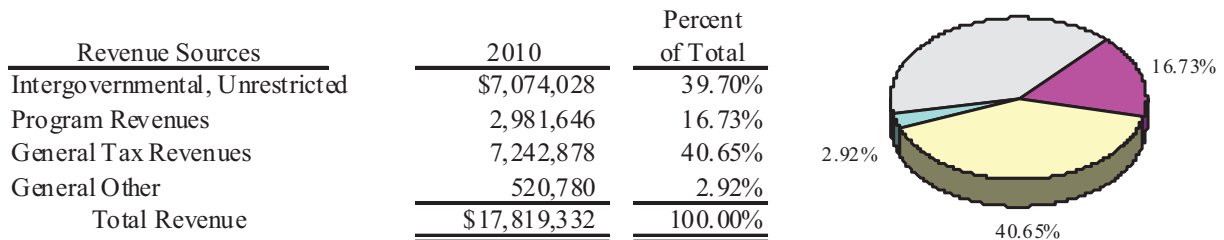
**Unaudited**

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,103,398. Capital grants and contributions received in fiscal 2009 for school construction resulted in the subsequent decrease in these amounts in fiscal 2010. The increase in operating grants and contributions can be attributed to American Recovery and Reinvestment Act grants. Fiscal 2010 was the first full fiscal year for collection of a 1.25% income tax, resulting in receipts of \$1,831,104. Expenses increased approximately 10% due mostly to increases in instruction and interest charges. The increase in instruction can mostly be attributed to increases in benefits, as health insurance enrollment increased. Interest and fiscal charges increased substantially due to bonds issued in fiscal 2010 for school construction.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Taxes made up 41% of revenues for governmental activities for Milton-Union Schools in fiscal year 2010. The District's reliance upon tax revenues is demonstrated by the following graph:



**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$38,045,208, which is above last year's total of \$20,795,892. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$3,861,814	\$3,734,736	\$127,078
School Facilities	27,797,430	14,800,285	12,997,145
Other Governmental	6,385,964	2,260,871	4,125,093
Total	\$38,045,208	\$20,795,892	\$17,249,316

*School Facilities Fund* – The School Facilities fund reported bond proceeds as well as capital grants to be used for new school construction.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

*General Fund* –The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2010	2009	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$5,244,123	\$5,008,228	\$235,895
Tuition	815,299	694,998	120,301
Investment Earnings	173,026	210,857	(37,831)
Extracurricular Activities	2,411	1,994	417
Intergovernmental - State	7,007,945	7,417,188	(409,243)
Intergovernmental - Federal	6,722	111,598	(104,876)
All Other Revenue	48,553	8,745	39,808
Total	<u>\$13,298,079</u>	<u>\$13,453,608</u>	<u>(\$155,529)</u>

Overall, 2010 General Fund revenues remained relatively stable when compared with revenues in fiscal year 2009, decreasing approximately 1%. The increase in taxes can be attributed to an increase in the property tax advance available. A decrease in state school foundation money resulted in the decrease in intergovernmental state revenue while the decrease in intergovernmental federal revenue was the result of decreases in community alternative funding money.

	2010	2009	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Instruction	\$7,899,276	\$7,661,146	\$238,130
Supporting Services:			
Pupils	792,361	800,910	(8,549)
Instructional Staff	675,802	703,017	(27,215)
Board of Education	109,382	72,617	36,765
Administration	1,112,273	994,616	117,657
Fiscal Services	414,561	396,142	18,419
Business	132,804	130,779	2,025
Operation & Maintenance of Plant	704,178	932,525	(228,347)
Pupil Transportation	634,715	637,288	(2,573)
Central	270,829	253,102	17,727
Extracurricular Activities	44,518	43,013	1,505
Total	<u>\$12,790,699</u>	<u>\$12,625,155</u>	<u>\$165,544</u>

Overall, expenditures increased \$165,544 or approximately 1% compared to the prior year. The most significant change was a 24% decrease in operation and maintenance of plant which was due to some utility costs being moved to other funds.

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.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010**

**Unaudited**

During the course of fiscal year 2010 the District amended its General Fund budget several times, none significant. For the General Fund, actual budget basis revenue of \$13.0 million was less than original budget estimates of \$13.2 million due mostly to decreases in state foundation monies. Final budgeted revenues were not materially different from actual revenues. Budget basis expenditures were approximately 4% less than final budget estimates. The most significant difference was in operation and maintenance of plant which was due to some utility costs being moved to other funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2010 the District had \$8,538,760 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$107,448	\$107,448	\$0
Construction in Progress	4,617,689	923,497	3,694,192
Land Improvements	617,781	617,781	0
Buildings and Improvements	4,293,316	4,293,316	0
Machinery and Equipment	2,278,104	2,222,736	55,368
Vehicles	1,508,885	1,494,299	14,586
Less: Accumulated Depreciation	(4,884,463)	(4,493,760)	(390,703)
<b>Totals</b>	<b>\$8,538,760</b>	<b>\$5,165,317</b>	<b>\$3,373,443</b>

Construction in progress represents the ongoing construction of a new school building which will replace all existing school facilities within the District with a new kindergarten through grade twelve building on one site.

Additional information on the District's capital assets can be found in Note 8.

**Debt**

The following table summarizes the District's debt outstanding as of June 30, 2010 and 2009:

	2010	2009
Governmental Activities:		
School Improvement Revenue Bonds	\$15,157,655	\$15,070,039
School Improvement Energy Conservation Bonds	1,036,089	0
School Improvement General Obligation Bonds	5,311,981	0
School Improvement Certificates of Participation	1,885,000	0
Capital Leases Payable	64,306	95,794
Compensated Absences	1,207,512	1,071,703
<b>Totals</b>	<b>\$24,662,543</b>	<b>\$16,237,536</b>

# MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010

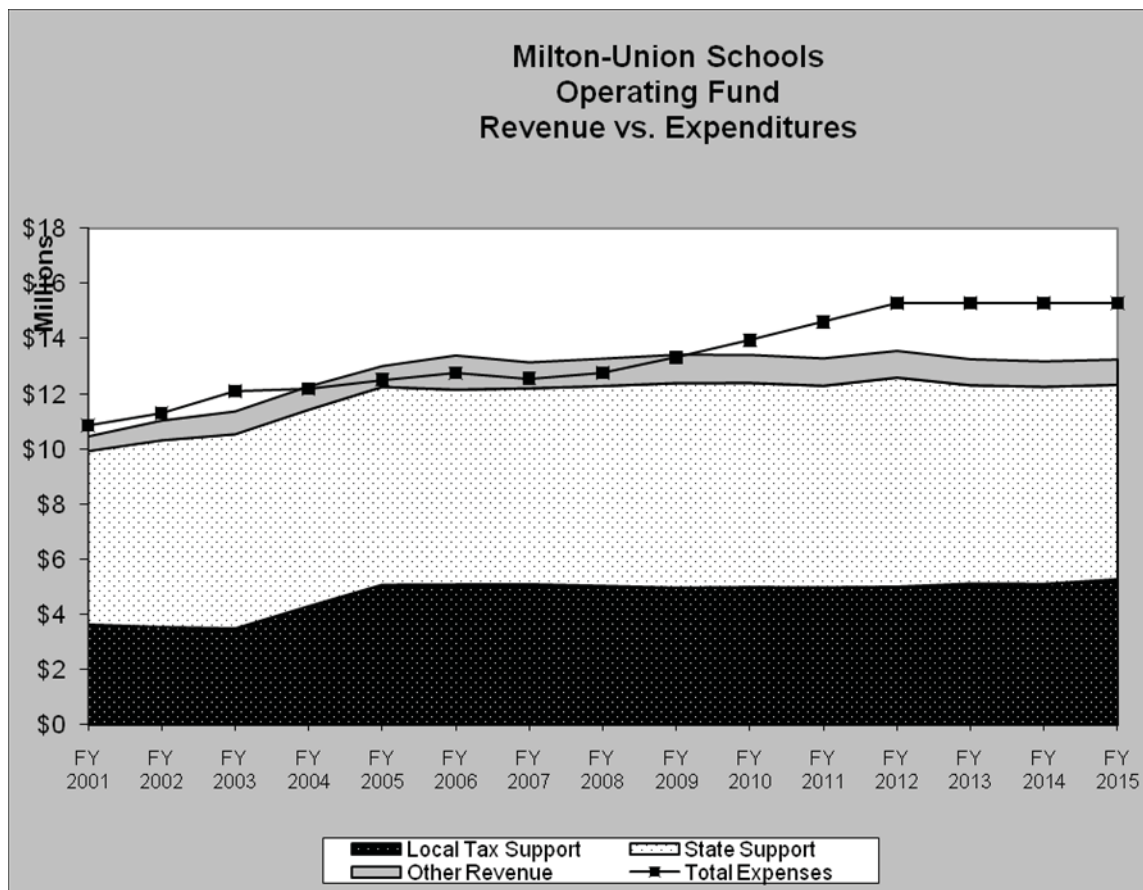
Unaudited

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2010, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 12.

## ECONOMIC FACTORS

*The figures presented in the following analysis are cash basis.*

Milton-Union Schools ended the 2009-10 school year with a \$5,332,904 General Fund cash balance. This represents 4.9 months of General Fund expenditures. This balance was possible due to the passage of a 10.9 mil levy in 2003 and renewal in 2008. Milton-Union Schools had a positive General Fund cash flow, including advances in and out, of \$129,417 in 2009-10. Operating Revenues and Other Financing Sources (excluding advances repayment) totaled \$13,399,681, representing a 0.4% decrease. Operating Expenditures and Other Financing Uses (excluding advances out) totaled \$13,498,086, representing a 5% growth in expenditures. Note that some advances are to be repaid in the next fiscal year.



### Operating Revenues:

Milton-Union's General Fund revenue increased by 0.4% over 2008-09 revenue.

The two largest sources of revenue are State Foundation and Reimbursements and Local Property Taxes.



# MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010*

*Unaudited*

State Foundation and Reimbursements make up 55% of total General Fund (operating) revenue. The state of Ohio is facing serious revenue issues due to the recession. The state developed a new funding formula for school districts for FY2010, however, due to the economic recession, the funding from state sources is projected to decrease or remain flat for the immediate future. Property tax reimbursements are projected to increase as the decrease in the reappraised value of Tangible Personal Property is phased in. Reimbursements will flatten out after FY10 and begin to phase out in FY13.

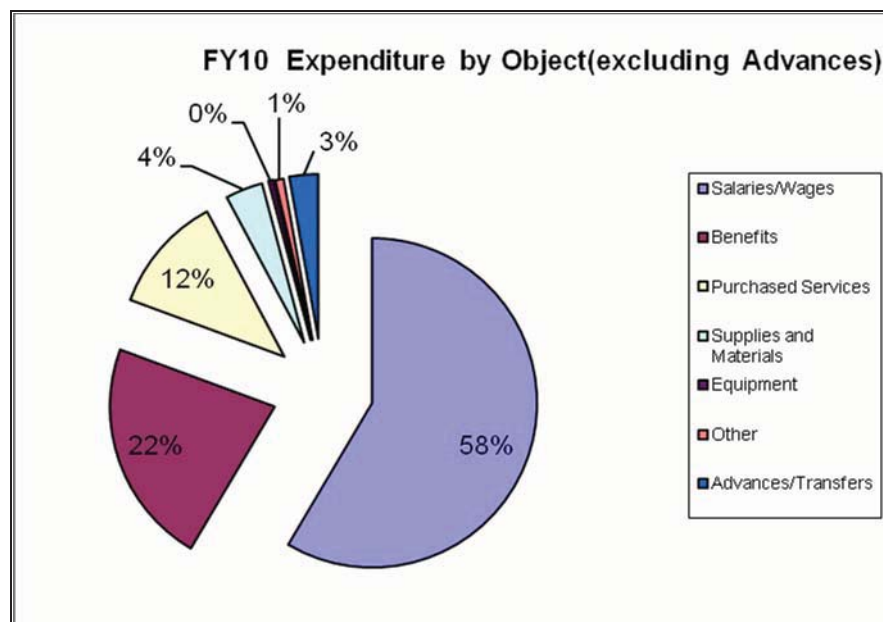
Milton-Union's second largest source (37%) of General Fund revenue is local Property Tax collections. Two factors are effecting property tax collections. Real property tax collections has been reduced slightly due to the new \$25,000 senior citizen homestead exemption. This lost revenue will be replaced by the state. The second factor effecting property tax collections is the reduction in assessed value of Tangible Personal Property. After FY2009, the only TPP collected will be on public utility property. The state will replace this lost revenue through 2012 and then will reduce the reimbursement to zero by 2017. Otherwise, due to HB920, property tax collections remain relatively static unless new millage is passed.

Since the full collection of the 10.9 mil levy FY05, total operating revenues have averaged a 0.5% increase annually.

### Operating Expenditures:

Overall 2009-10 General Fund expenditures, excluding advances, increased by 5.35% over 2009-2010. Approximately 80 percent of Milton-Union FY2010 operating expenses were for salaries and benefits. The remaining 20 percent was spent on contracted services, supplies, equipment and other miscellaneous expenses. Operating Salaries increased by about 3% in FY10. Benefit costs increased 8.9 percent. The FY10 ratio of benefits to salaries is approximately 37.8%. Contracted services expenditures increased by 5% over FY09 level.

Since the 2002-03 school year, total operating expenditures have increased by about 1.59 percent annually.





# **MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010***

***Unaudited***

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**Conclusion:**

Milton-Union School District's revenues exceeded expenditures during fiscal year 2010. The district forecast indicates a negative cash flow in FY11 despite cutting close to one million dollars in expenses at the end of FY10. Based on current trends the board would have a negative cash balance by June 2015. State of Ohio budget problems are effecting state funding for schools. There is a possibility of state funding cuts for FY2011 and FY2012. Should this come to pass, the districts financial outlook will be much worse. Management will continue to monitor economic influences and to review staffing and other expenditures. In conclusion, management faces significant financial challenges, but has committed itself to financial stability in the future.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Charles M. Klein, Treasurer of Milton-Union Exempted Village School District.

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# MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO

## Statement of Net Assets June 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 10,361,608
Investments	27,840,169
Receivables:	
Taxes	6,116,461
Accounts	1,191
Intergovernmental	10,555,647
Interest	915
Inventory of Supplies at Cost	15,402
Prepaid Items	79,784
Deferred Charge	463,139
Restricted Assets:	
Cash and Cash Equivalents	38,814
Investments	880,000
Non-Depreciable Capital Assets	4,725,137
Depreciable Capital Assets, Net	3,813,623
<b>Total Assets</b>	<b>64,891,890</b>
<b>Liabilities:</b>	
Accounts Payable	141,700
Accrued Wages and Benefits	1,604,351
Intergovernmental Payable	503,753
Contracts Payable	226,450
Unearned Revenue - Taxes	4,730,487
Accrued Interest Payable	73,855
Long Term Liabilities:	
Due Within One Year	776,781
Due in More Than One Year	23,885,762
<b>Total Liabilities</b>	<b>31,943,139</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	4,319,904
Restricted For:	
Capital Projects	25,512,792
Debt Service	26,816
Other Purposes	452,881
Unrestricted	2,636,358
<b>Total Net Assets</b>	<b>\$ 32,948,751</b>

See accompanying notes to the basic financial statements

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

		Program Revenues		Net (Expense)
		Charges for	Operating Grants	Revenue and
		Services and	and	Changes in
	Expenses	Sales	Contributions	Net Assets
				Governmental
				Activities
<b>Governmental Activities:</b>				
Instruction	\$ 9,048,494	\$ 891,845	\$ 765,713	\$ (7,390,936)
Support Services:				
Pupils	831,246	0	33,937	(797,309)
Instructional Staff	788,855	0	132,857	(655,998)
Board of Education	108,064	0	0	(108,064)
Administration	1,227,762	0	115,395	(1,112,367)
Fiscal Services	479,476	0	0	(479,476)
Business	139,779	0	0	(139,779)
Operation and Maintenance of Plant	963,933	0	183,182	(780,751)
Pupil Transportation	668,798	0	0	(668,798)
Central	376,031	0	13,287	(362,744)
Operation of Non-Instructional Services	627,296	307,778	358,831	39,313
Community Services	10,387	0	0	(10,387)
Extracurricular Activities	529,621	170,986	0	(358,635)
Interest and Fiscal Charges	916,192	0	7,835	(908,357)
<b>Total Governmental Activities</b>	<u>\$ 16,715,934</u>	<u>\$ 1,370,609</u>	<u>\$ 1,611,037</u>	<u>(13,734,288)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				5,068,875
Capital Outlay				342,899
Income Taxes				1,831,104
Intergovernmental, Unrestricted				7,074,028
Investment Earnings				423,851
Miscellaneous				96,929
<b>Total General Revenues</b>				<u>14,837,686</u>
Change in Net Assets				1,103,398
Net Assets Beginning of Year				<u>31,845,353</u>
Net Assets End of Year				<u>\$ 32,948,751</u>

See accompanying notes to the basic financial statements

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	General	School Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,048,047	\$ 6,800,330	\$ 2,513,231	\$ 10,361,608
Investments	4,270,776	21,100,631	2,468,762	27,840,169
Receivables:				
Taxes	5,004,681	0	1,111,780	6,116,461
Accounts	996	0	195	1,191
Intergovernmental	0	10,543,749	11,898	10,555,647
Interest	183	0	732	915
Interfund Loans Receivable	19,000	0	0	19,000
Inventory of Supplies at Cost	11,308	0	4,094	15,402
Prepaid Items	24,520	30,747	24,517	79,784
Restricted Assets:				
Cash and Cash Equivalents	38,814	0	0	38,814
Investments	0	0	880,000	880,000
<b>Total Assets</b>	<b>\$ 10,418,325</b>	<b>\$ 38,475,457</b>	<b>\$ 7,015,209</b>	<b>\$ 55,908,991</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 125,693	\$ 6,679	\$ 9,328	\$ 141,700
Accrued Wages and Benefits	1,509,231	0	95,120	1,604,351
Intergovernmental Payable	415,405	0	88,348	503,753
Contracts Payable	0	226,450	0	226,450
Interfund Loans Payable	0	0	19,000	19,000
Deferred Revenue - Taxes	4,506,182	0	417,449	4,923,631
Deferred Revenue	0	10,444,898	0	10,444,898
<b>Total Liabilities</b>	<b>6,556,511</b>	<b>10,678,027</b>	<b>629,245</b>	<b>17,863,783</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	90,994	840,769	55,201	986,964
Reserved for Prepaid Items	24,520	30,747	24,517	79,784
Reserved for Supplies Inventory	11,308	0	4,094	15,402
Reserved for Debt Service	0	0	1,735,726	1,735,726
Reserved for Property Taxes	409,918	0	27,985	437,903
Reserved for Textbooks and Instructional Supplies	38,814	0	0	38,814
Unreserved, Undesignated in:				
General Fund	3,286,260	0	0	3,286,260
Special Revenue Funds	0	0	504,857	504,857
Capital Projects Funds	0	26,925,914	4,033,584	30,959,498
<b>Total Fund Balances</b>	<b>3,861,814</b>	<b>27,797,430</b>	<b>6,385,964</b>	<b>38,045,208</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,418,325</b>	<b>\$ 38,475,457</b>	<b>\$ 7,015,209</b>	<b>\$ 55,908,991</b>

See accompanying notes to the basic financial statements

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
June 30, 2010***

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**Total Governmental Fund Balances** \$ 38,045,208

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 8,538,760

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 10,638,042

Long-term liabilities, including bonds payable, are not  
due and payable in the current period and therefore are not  
reported in the funds.

General Obligation Bonds	(18,702,979)	
Energy Conservation Bonds	(997,776)	
Certificates of Participation	(1,885,000)	
Interest Accretion	(169,594)	
Bond Premium	(1,635,376)	
Deferred Bond Issuance Costs	463,139	
Capital Leases	(64,306)	
Compensated Absences	(1,207,512)	
Accrued Interest Payable	(73,855)	(24,273,259)

***Net Assets of Governmental Activities*** **\$ 32,948,751**

See accompanying notes to the basic financial statements

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010**

	<u>General</u>	<u>School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 5,244,123	\$ 0	\$ 1,916,716	\$ 7,160,839
Tuition	815,299	0	76,546	891,845
Investment Earnings	173,026	229,817	21,008	423,851
Extracurricular Activities	2,411	0	168,575	170,986
Food Services	0	0	307,778	307,778
Intergovernmental - State	7,007,945	11,330,481	113,099	18,451,525
Intergovernmental - Federal	6,722	0	1,558,222	1,564,944
All Other Revenue	48,553	0	48,376	96,929
<b>Total Revenue</b>	<u>13,298,079</u>	<u>11,560,298</u>	<u>4,210,320</u>	<u>29,068,697</u>
<b>Expenditures:</b>				
Current:				
Instruction	7,899,276	0	855,504	8,754,780
Supporting Services:				
Pupils	792,361	0	27,836	820,197
Instructional Staff	675,802	0	118,410	794,212
Board of Education	109,382	0	0	109,382
Administration	1,112,273	0	99,483	1,211,756
Fiscal Services	414,561	0	52,681	467,242
Business	132,804	0	0	132,804
Operation and Maintenance of Plant	704,178	0	246,031	950,209
Pupil Transportation	634,715	0	26,410	661,125
Central	270,829	0	99,924	370,753
Operation of Non-Instructional Services	0	0	617,408	617,408
Community Services	0	0	10,387	10,387
Extracurricular Activities	44,518	0	437,731	482,249
Capital Outlay	0	3,600,424	87,241	3,687,665
Debt Service:				
Interest & Fiscal Charges	0	59,958	901,088	961,046
<b>Total Expenditures</b>	<u>12,790,699</u>	<u>3,660,382</u>	<u>3,580,134</u>	<u>20,031,215</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	507,380	7,899,916	630,186	9,037,482

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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	<u>General</u>	<u>School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	0	4,999,997	0	4,999,997
Energy Conservation Bonds Issued	0	0	997,776	997,776
Certificates of Participation Issued	0	0	1,885,000	1,885,000
Premium on Bond Issuance	0	0	327,756	327,756
Transfers In	1,874	97,232	1,517,758	1,616,864
Transfers Out	(383,000)	0	(1,233,864)	(1,616,864)
<b>Total Other Financing Sources (Uses)</b>	<u>(381,126)</u>	<u>5,097,229</u>	<u>3,494,426</u>	<u>8,210,529</u>
Net Change in Fund Balance	126,254	12,997,145	4,124,612	17,248,011
<b>Fund Balance at Beginning of Year</b>	3,734,736	14,800,285	2,260,871	20,795,892
Increase in Inventory Reserve	824	0	481	1,305
<b>Fund Balance End of Year</b>	<u>\$ 3,861,814</u>	<u>\$ 27,797,430</u>	<u>\$ 6,385,964</u>	<u>\$ 38,045,208</u>

See accompanying notes to the basic financial statements



**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended June 30, 2010***

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ 17,248,011
<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		3,373,443
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(11,249,365)
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General Obligation Bonds Issued	(4,999,997)	
Energy Conservation Bonds Issued	(997,776)	
Certificates of Participation Issued	(1,885,000)	
Premium on Bonds Issued	(327,756)	
Interest Accretion on Capital Appreciation Bonds	(169,594)	
Deferred Bond Issuance Cost	182,213	
Bond Premium Amortization	59,437	
Capital Lease Principal Payment	<u>31,488</u>	(8,106,985)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(27,202)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in Compensated Absences Liability	(135,809)	
Change in Inventory	<u>1,305</u>	<u>(134,504)</u>
<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u>\$ 1,103,398</u></b>

See accompanying notes to the basic financial statements

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**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 4,963,076	\$ 4,999,112	\$ 4,999,111	\$ (1)
Tuition	682,500	815,129	815,299	170
Investment Earnings	160,000	141,000	131,820	(9,180)
Extracurricular Activities	2,000	2,600	2,411	(189)
Intergovernmental - State	7,395,186	7,007,433	7,007,945	512
Intergovernmental - Federal	6,500	6,722	6,722	0
All Other Revenues	6,900	43,068	44,423	1,355
Total Revenues	<u>13,216,162</u>	<u>13,015,064</u>	<u>13,007,731</u>	<u>(7,333)</u>
<b>Expenditures:</b>				
Current:				
Instructional Services:				
Regular	6,243,179	6,627,509	6,556,810	70,699
Special	1,138,651	1,214,691	1,163,117	51,574
Vocational	128,164	79,126	61,839	17,287
Other	195,000	136,127	136,126	1
Support Services:				
Pupils	851,182	889,599	826,363	63,236
Instructional Staff	662,963	718,054	699,364	18,690
Board of Education	100,895	118,605	101,126	17,479
Administration	1,061,687	1,137,954	1,105,549	32,405
Fiscal Services	423,795	440,096	416,931	23,165
Business	137,440	138,200	133,812	4,388
Operation and Maintenance of Plant	1,077,739	934,448	755,229	179,219
Pupil Transportation	711,955	732,554	678,207	54,347
Central	357,616	326,628	285,831	40,797
Extracurricular Activities	47,412	46,608	44,356	2,252
Total Expenditures	<u>13,137,678</u>	<u>13,540,199</u>	<u>12,964,660</u>	<u>575,539</u>

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	78,484	(525,135)	43,071	568,206
<b>Other Financing Sources (Uses):</b>				
Transfers In	15,000	1,874	1,874	0
Transfers Out	(400,000)	(400,000)	(383,000)	17,000
Advances In	247,852	1,887,852	1,887,852	0
Advances Out	0	(1,659,000)	(1,659,000)	0
Refund of Prior Year Expenditures	11,700	5,130	5,185	55
Refund of Prior Year Receipts	(1,150)	(1,150)	(175)	975
Total Other Financing Sources (Uses):	<u>(126,598)</u>	<u>(165,294)</u>	<u>(147,264)</u>	<u>18,030</u>
Net Change in Fund Balance	(48,114)	(690,429)	(104,193)	586,236
Fund Balance at Beginning of Year	4,919,030	4,919,030	4,919,030	0
Prior Year Encumbrances	<u>284,459</u>	<u>284,459</u>	<u>284,459</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,155,375</u>	<u>\$ 4,513,060</u>	<u>\$ 5,099,296</u>	<u>\$ 586,236</u>

See accompanying notes to the basic financial statements

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

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	Private Purpose Trust		
	Special Trust Fund	Agency Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 9,555	\$ 35,109	\$ 44,664
Investments	38,242	0	38,242
<b>Total Assets</b>	<u>47,797</u>	<u>35,109</u>	<u>82,906</u>
<b>Liabilities:</b>			
Accounts Payable	4,500	0	4,500
Due to Others	0	832	832
Due to Students	0	34,277	34,277
<b>Total Liabilities</b>	<u>4,500</u>	<u>35,109</u>	<u>39,609</u>
<b>Net Assets:</b>			
Unrestricted	43,297	0	43,297
<b>Total Net Assets</b>	<u>\$ 43,297</u>	<u>\$ 0</u>	<u>\$ 43,297</u>

See accompanying notes to the basic financial statements

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2010**

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	Private Purpose Trust Special Trust Fund
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 5,893
Total Contributions	<u>5,893</u>
Investment Earnings:	
Interest	326
Total Investment Earnings	<u>326</u>
Total Additions	<u>6,219</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>7,500</u>
Total Deductions	<u>7,500</u>
Change in Net Assets	(1,281)
Net Assets at Beginning of Year	<u>44,578</u>
Net Assets End of Year	<u><u>\$ 43,297</u></u>

See accompanying notes to the basic financial statements

# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

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

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

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

#### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/ expenses. The various funds are grouped into the categories governmental and fiduciary.

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

# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **B. Basis of Presentation - Fund Accounting (Continued)**

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

School Facilities Fund - This fund accounts for state grant monies and bond proceeds to be used for the construction of new school facilities.

*Fiduciary Funds* – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The agency fund accounts for student managed activities, is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### **C. Basis of Presentation and Measurement Focus – Financial Statements**

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 government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.



# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Basis of Presentation and Measurement Focus – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

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

Property taxes measurable as of June 30, 2010, but which are not intended to finance fiscal year 2010 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting (Continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

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

##### **1. Tax Budget**

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

# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process** (Continued)

##### **2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2010.

##### **3. Appropriations**

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

##### **4. Lapsing of Appropriations**

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

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**5. Budgetary Basis of Accounting**

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	\$ 126,254
Increase (Decrease):	
Accrued Revenues at June 30, 2010, received during FY 2011	(543,419)
Accrued Revenues at June 30, 2009, received during FY 2010	486,933
Accrued Expenditures at June 30, 2010, paid during FY 2011	2,050,329
Accrued Expenditures at June 30, 2009, paid during FY 2010	(1,992,399)
FY 2009 Prepays for FY 2010	26,229
FY 2010 Prepays for FY 2011	(24,520)
Encumbrances Outstanding	(233,600)
Budget Basis	<u><u>(\$104,193)</u></u>

# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of less than three months and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

#### **G. Investments**

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

The District has invested funds in the STAR Ohio during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010. See Note 3, "Cash, Cash Equivalents and Investments."

#### **H. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets and Depreciation**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000.

**1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined in 1994 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**2. Depreciation**

All capital assets, except land and construction in progress, are depreciated. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives (in years)
Land Improvements	5-7
Buildings and Improvements	20 - 50
Machinery, Equipment, Furniture and Fixtures	4 - 20
Vehicles	3 - 6
Buses	10

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
Revenue Bonds	Debt Service Fund
Energy Conservation Bonds	Debt Service Fund
General Obligation Bonds	Debt Service Fund
Certificates of Participation	Debt Service Fund
Capital Leases	Permanent Improvement Fund
Compensated Absences	General Fund, Food Services Fund

**K. Compensated Absences**

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” compensated absences are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Vacation may accumulate up to a maximum of one and one half times the employee’s annual vacation allowance. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year. Upon retirement, employees will receive one-third of the accumulated sick leave up to a maximum of 55 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. In the government wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

**L. Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **M. Pensions**

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

#### **N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **O. Restricted Assets**

Restricted assets represent investments in a bond reserve account as well as cash set aside to establish reserves for textbooks. The textbook reserves are required by state statute.

#### **P. Reservations of Fund Balance**

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

#### **Q. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **R. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.



# **MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* – The fund deficits at June 30, 2010 of \$5,861 in the Other Grants Fund, \$408 in the Student Activity Fund, \$5,611 in the Other Federal Grants Fund, \$4,885 in the Title VI-B Fund, \$4,995 in the Fiscal Stability Fund, and \$186 in the Title V Fund (special revenue) arises from the recognition of expenditures on the modified accrual basis, which are greater than expenditures recognized on the cash basis. A deficit does not exist under the cash basis of accounting.

### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

## ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end the carrying amount of the District's deposits was \$22,754,192 and the bank balance was \$22,861,783. Federal depository insurance covered 21,601,582 of the bank balance. The remaining balance of \$1,260,201 was collateralized with securities held by the pledging institution but not in the name of the District and therefore was subject to custodial credit risk.

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**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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

**B. Investments**

The District's investments at June 30, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$5,035,171	AAAm <sup>1</sup>	\$5,035,171	\$0	\$0
US Agency Mutual Funds	1,931,283	AAA <sup>1,2</sup>	1,931,283	0	0
FNMA	1,603,150	AAA <sup>1,2</sup>	999,900	0	603,250
FHLB	2,816,536	AAA <sup>1,2</sup>	1,000,000	1,012,190	804,346
FHLMC	1,517,145	AAA <sup>1,2</sup>	0	0	1,517,145
Corporate Bonds	<sup>a</sup> 3,546,020	AAA <sup>1,2</sup>	1,007,080	2,538,940	0
Total Investments	<u>\$16,449,305</u>		<u>\$9,973,434</u>	<u>\$3,551,130</u>	<u>\$2,924,741</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

<sup>a</sup> The corporate bonds are included in the FDIC Temporary Liquidity Guarantee Program and are guaranteed by the FDIC and full faith and credit of the United States government.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 30.6% is STAR Ohio, 11.7% are United States Agency Mutual Funds, 9.8% are FNMA, 17.1% are FHLB, 9.2% are FHLMC, and 21.6% are Corporate Bonds.

*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 investment or collateral securities that are in the possession of an outside party.

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**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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

**C. Reconciliation of Cash, Cash Equivalents and Investments**

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$10,445,086	\$28,758,411
Certificates of Deposit (with maturities of more than 3 months)	17,344,277	(17,344,277)
STAR Ohio	<u>(5,035,171)</u>	<u>5,035,171</u>
Per GASB Statement No. 3	<u>\$22,754,192</u>	<u>\$16,449,305</u>

**NOTE 4 - PROPERTY TAXES**

**A. Property Tax**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the District. Real property taxes (other than public utility) collected during 2010 were levied after April 1, 2009 on assessed values as of January 1, 2009, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2007. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 4 - PROPERTY TAXES (Continued)**

**A. Property Tax (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Milton-Union Exempted Village School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2010 receipts were based are:

	2009 Second Half Collections	2010 First Half Collections
Agricultural/Residential and Other Real Estate	\$176,216,780	\$176,892,030
Public Utility Personal	7,511,750	7,433,320
Tangible Personal Property	1,601,340	318,810
Total Assessed Value	<u>\$185,329,870</u>	<u>\$184,644,160</u>
Tax rate per \$1,000 of assessed valuation	\$69.38	\$69.38

**B. Income Tax**

The District levies a 1.25 percent, dual purpose, earned income tax levy. Of the 1.25 percent, 1.15 percent is used to provide the local portion of a school facilities project that will replace all existing school facilities within the District with a new kindergarten through grade twelve building on one site. The remaining 0.10 percent of the total levy amount is used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General and Capital Improvement Funds.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2010, consisted of taxes, interest, accounts receivable and intergovernmental receivables.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Following is a summary of interfund receivables and payables for all funds at June 30, 2010:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$19,000	\$0
Other Governmental Funds	0	19,000
Totals	<u>\$19,000</u>	<u>\$19,000</u>

These Interfund Loans are short-term loans to cover a temporary cash deficit.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

**NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds for the fiscal year 2010:

Fund	Transfer In	Transfer Out
General Fund	\$1,874	\$383,000
School Facilities Fund	97,232	0
Other Governmental Funds	1,517,758	1,233,864
Total All Funds	\$1,616,864	\$1,616,864

Transfers out of Other Governmental Funds consist of income tax collected in the permanent improvement fund and allocated to the debt service fund for debt retirement and to the Ohio School Facilities Maintenance Fund as required by the Ohio School Facilities Commission.

**NOTE 8 - CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at June 30, 2010:

**Historical Cost:**

Class	June 30, 2009	Additions	Deletions	June 30, 2010
<b>Capital assets not being depreciated:</b>				
Land	\$107,448	\$0	\$0	\$107,448
Construction in Progress	923,497	3,694,192	0	4,617,689
	1,030,945	3,694,192	0	4,725,137
<b>Capital assets being depreciated:</b>				
Land Improvements	617,781	0	0	617,781
Buildings and Improvements	4,293,316	0	0	4,293,316
Machinery and Equipment	2,222,736	59,833	(4,465)	2,278,104
Vehicles	1,494,299	29,616	(15,030)	1,508,885
	8,628,132	89,449	(19,495)	8,698,086
Total Cost	\$9,659,077	\$3,783,641	(\$19,495)	\$13,423,223

**Accumulated Depreciation:**

Class	June 30, 2009	Additions	Deletions	June 30, 2010
Land Improvements	(\$199,860)	(\$18,085)	\$0	(\$217,945)
Buildings and Improvements	(2,149,410)	(114,508)	0	(2,263,918)
Machinery and Equipment	(1,488,386)	(173,194)	4,465	(1,657,115)
Vehicles	(656,104)	(104,411)	15,030	(745,485)
Total Depreciation	(\$4,493,760)	(\$410,198) *	\$19,495	(\$4,884,463)
<b>Net Value:</b>	\$5,165,317			\$8,538,760

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 8 - CAPITAL ASSETS (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$208,906
Support Services:	
Pupils	4,433
Instructional Staff	4,546
Board of Education	10,542
Administration	6,308
Fiscal	1,884
Business	371
Operations & Maintenance of Plant	13,045
Pupil Transportation	101,145
Central	4,422
Operation of Non-Instructional Services	5,700
Extracurricular Activities	48,896
Total Depreciation Expense	<u>\$410,198</u>

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

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

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - 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. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$259,606, \$182,140 and \$169,858 respectively, which were equal to the required contributions for each year.



# ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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### **NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

#### **B. State Teachers Retirement System**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.



## ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System** (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$878,458, \$864,251, and \$789,561 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$33,678 made by the District and \$24,056 made by the plan members.

##### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$39,850, \$122,010, and \$116,166 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,438, \$15,028, and \$12,239 respectively; which were equal to the required contributions for each year.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$67,574, \$66,481, and \$60,735 respectively; which were equal to the required contributions for each year.

**NOTE 11 - NOTES PAYABLE**

Notes Payable activity of the District for the year ended June 30, 2010, was as follows:

Note Payable		Balance			Balance
		June 30, 2009	Additions	Deletions	June 30, 2010
School Facilities	1.95%	\$5,000,000	\$0	(\$5,000,000)	\$0
		\$5,000,000	\$0	(\$5,000,000)	\$0

These notes were issued in anticipation of the issuance of general obligation bonds for the purpose of school building improvements.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

**NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

Details of the changes in the long term debt of the District for the year ended June 30, 2010 is as follows:

	Balance			Balance	Amount Due
	June 30, 2009	Additions	Deductions	June 30, 2010	Within
					One Year
<b>Governmental Activities:</b>					
Revenue Bonds:					
School Improvement 3.0% - 5.0%	\$13,702,982	\$0	\$0	\$13,702,982	\$520,000
Bond Premium	1,367,057	0	(59,437)	1,307,620	0
	<u>15,070,039</u>	<u>0</u>	<u>(59,437)</u>	<u>15,010,602</u>	<u>520,000</u>
Interest Accretion	0	147,053	0	147,053	0
Total Revenue Bonds:	<u>15,070,039</u>	<u>147,053</u>	<u>(59,437)</u>	<u>15,157,655</u>	<u>520,000</u>
Energy Conservation Bonds:					
School Improvement 1.2% - 4.0%	0	997,776	0	997,776	65,000
Bond Premium	0	37,232	0	37,232	0
	<u>0</u>	<u>1,035,008</u>	<u>0</u>	<u>1,035,008</u>	<u>65,000</u>
Interest Accretion	0	1,081	0	1,081	0
Total Energy Conservation Bonds:	<u>0</u>	<u>1,036,089</u>	<u>0</u>	<u>1,036,089</u>	<u>65,000</u>
General Obligation Bonds:					
School Improvement 2.0% - 4.5%	0	4,999,997	0	4,999,997	50,000
Bond Premium	0	290,524	0	290,524	0
	<u>0</u>	<u>5,290,521</u>	<u>0</u>	<u>5,290,521</u>	<u>50,000</u>
Interest Accretion	0	21,460	0	21,460	0
Total General Obligation Bonds:	<u>0</u>	<u>5,311,981</u>	<u>0</u>	<u>5,311,981</u>	<u>50,000</u>
Certificates of Participation:					
School Improvement 1.8% - 6.4%	0	1,885,000	0	1,885,000	50,000
Capital Leases Payable	95,794	0	(31,488)	64,306	33,854
Compensated Absences	1,071,703	227,179	(91,370)	1,207,512	57,927
Total Governmental Activities	<u>\$16,237,536</u>	<u>\$8,607,302</u>	<u>(\$182,295)</u>	<u>\$24,662,543</u>	<u>\$776,781</u>

**A. Pledged Revenue**

The School District has pledged a portion of the proceeds from the one and one quarter percent (1.25%) Income Tax to repay the \$13.7 million in School Improvement Revenue Bonds issued in June of 2009 to finance the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds are payable solely from the 1.25% income tax levied by the School District on the taxable income of individuals as defined in Section 5748.01(E)(1)(b) of the Ohio Revised Code which went into effect on January 1, 2009 and is for a continuing period of time. From this income tax, 0.1% is collected for current expenses and 1.15% is dedicated solely to provide funds for permanent improvements; from which bond service charges will be made. Income tax dedicated to permanent improvements is projected to produce approximately 170% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$24,658,767, payable through December 1, 2032. For the current year, there was \$562,980 paid in interest payments and no required principal payments. Income tax revenue received related to permanent improvement projects in fiscal 2010 totaled \$1,571,160.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2010**

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**NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

**B. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2010 follows:

Years	Revenue Bonds		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2011	\$520,000	\$558,326	\$65,000	\$27,782
2012	535,000	542,501	60,000	27,032
2013	550,000	526,226	65,000	26,185
2014	565,000	509,501	65,000	25,210
2015	184,456	901,569	65,000	23,991
2016-2020	1,033,526	4,385,634	282,776	152,264
2021-2025	3,280,000	2,065,685	395,000	39,937
2026-2030	4,085,000	1,240,343	0	0
2031-2032	2,950,000	226,000	0	0
Totals	<u>\$13,702,982</u>	<u>\$10,955,785</u>	<u>\$997,776</u>	<u>\$322,401</u>

Years	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2011	\$50,000	\$188,942	\$50,000	\$66,455
2012	195,000	186,492	40,000	65,818
2013	200,000	182,292	40,000	65,350
2014	205,000	177,480	45,000	64,531
2015	71,201	313,717	45,000	63,361
2016-2020	753,796	1,156,591	235,000	297,890
2021-2025	1,265,000	629,762	275,000	257,293
2026-2030	1,545,000	336,481	330,000	203,025
2031-2035	715,000	32,514	400,000	130,645
2036-2038	0	0	425,000	32,632
Totals	<u>\$4,999,997</u>	<u>\$3,204,271</u>	<u>\$1,885,000</u>	<u>\$1,247,000</u>

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 13 - CAPITALIZED LEASE**

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The original cost of the assets under capital lease was \$155,576.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2010:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2011	\$39,036
2012	31,878
Minimum Lease Payments	<u>70,914</u>
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(6,608)</u>
Present Value of minimum lease payments	<u><u>\$64,306</u></u>

**NOTE 14 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2010, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2009	\$71,713	\$0	\$71,713
Current Year Set-Aside Requirement	257,692	257,692	515,384
Current Year Offset Credits	0	(1,042,408)	(1,042,408)
Qualifying Disbursements	<u>(290,591)</u>	<u>(42,860)</u>	<u>(333,451)</u>
Total	<u><u>\$38,814</u></u>	<u><u>(\$827,576)</u></u>	<u><u>(\$788,762)</u></u>
Cash Balance Carried Forward to FY 2011	<u><u>\$38,814</u></u>	<u><u>\$0</u></u>	<u><u>\$38,814</u></u>
Amount Restricted for Textbook Reserve			<u><u>\$38,814</u></u>
Total Restricted Assets			<u><u>\$38,814</u></u>

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

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010**

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**NOTE 15 – RELATED ORGANIZATION**

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

**NOTE 16 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2010 the District contracted with Ohio School Plan for insurance coverage, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Property, General Liability, and Errors & Omissions	\$0 - \$1,000

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

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

*Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Pool* – The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson and Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Council Medical Benefits Plan* – The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

## ***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010***

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#### **NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General fund. During fiscal year 2010, the District paid \$84,522 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2010, the District paid no monies to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.



**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO**

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***Notes to the Basic Financial Statements***  
***For the Fiscal Year Ended June 30, 2010***

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Miami Valley Career Technology Center* – The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts’ elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. During fiscal year 2010, the District made no contributions to this organization. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

*Metropolitan Dayton Educational Computer Association* – The District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$28,647 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**NOTE 18 – CONSTRUCTION COMMITMENTS**

As of June 30, 2010 the District had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Amount of Commitment</u>	<u>Estimated Date of Completion</u>
New District School Building (K - 12)	\$40,137,972	February 2012



***MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT, OHIO***

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010***

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**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**B. Litigation**

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

Milton Union Exempted Village School District  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Agriculture:			
<i>Passed through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 63,427	\$ 63,427
Cash Assistance:			
National School Breakfast Program	10.553	35,418	35,418
National School Lunch Program	10.555	<u>253,452</u>	<u>253,452</u>
Total Nutrition Cluster		<u>352,297</u>	<u>352,297</u>
Total US Department of Agriculture		<u>352,297</u>	<u>352,297</u>
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	194,729	184,658
ARRA - Title I Grants to Local Education Agencies	84.389	<u>58,162</u>	<u>48,019</u>
Total Title I, Part A Cluster		252,891	232,677
Special Education Cluster:			
Special Education Grants to States	84.027	298,659	301,358
ARRA - Special Education Grants to States	84.391	170,803	169,505
Special Education Preschool Grant	84.173	<u>3,284</u>	<u>3,284</u>
Total Special Education Cluster		472,746	474,147
Safe and Drug Free Schools and Communities	84.186	5,062	5,857
State Grants for Innovative Programs	84.298	753	1,089
Education Technology State Grants	84.318	1,136	1,705
Improving Teacher Quality State Grants	84.367	70,072	65,485
ARRA - State Fiscal Stabilization	84.394	395,177	395,177
<i>Passed through Ohio Schools Facilities Commission:</i>			
State Improvement Grant	84.323	<u>-</u>	<u>2,894</u>
Total U.S. Department of Education		<u>1,197,837</u>	<u>1,179,031</u>
U.S. Department of Health and Human Services			
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Medical Assistance Program	93.778	<u>621</u>	<u>621</u>
Total U.S. Department of Health and Human Services		<u>621</u>	<u>621</u>
Total Federal Assistance		<u>\$ 1,550,755</u>	<u>\$ 1,531,949</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Milton-Union Exempted Village School District  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2010

**1. Significant Accounting Policies:**

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Milton-Union Exempted Village School District. This schedule has been prepared on the cash basis of accounting.

**2. U.S. Department of Agriculture Programs:**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010 the District had no significant food commodities in inventory.

**3. Matching Requirements:**

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Milton-Union Exempted Village School District  
112 South Spring Street  
West Milton, Ohio 45383

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-001, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 13, 2010.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink on a light-colored background.

Springfield, Ohio  
December 13, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Milton-Union Exempted Village School District  
112 South Spring Street  
West Milton, Ohio 45383

**Compliance**

We have audited the compliance of the Milton-Union Exempted Village School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-002.

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## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-002. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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



Springfield, Ohio  
December 13, 2010

Milton-Union Exempted Village School District  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2010

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? Yes

Identification of major programs:

*Title I Grants to Local Education Agencies:*  
 CFDA 84.010 – Title I Grants to Local Agencies  
 CFDA 84.389 – ARRA – Title I Grants to Local Agencies

*Special Education Cluster:*  
 CFDA 84.027 – Special Education Grants to States  
 CFDA 84.391 – ARRA – Special Education Grants to States  
 CFDA 84.173 – Special Education Preschool Grant

CFDA 84.394 – ARRA – State Fiscal Stabilization

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes



## Section II – Financial Statement Findings

### 2010-001: Audit Adjustments

Management is responsible for ensuring the financial statements are complete and prepared accurately in accordance with accounting principles generally accepted in the United States of America (GAAP). The audit process should not be considered part of the internal control process over financial reporting to discover errors or misstatements.

During the current audit it was necessary to adjust the financial statements of the School District for unrecorded income taxes receivable amounts which were not included during the GAAP conversion process. Other insignificant adjustments were also posted to the financial statements as a result of audit procedures however these adjustments were not significant to the financial statements.

The School should work with the firm compiling the financial statements to ensure all financial transactions are properly accrued and reported in the appropriate year.

*Management Response: The District is aware of the corrections noted in the audit. Having accurate statements are of the highest priorities of the District. As recommended, we plan to discuss items that are new to the District with our conversion firm as well as the auditor to ensure the statements are accurate in the future.*

## Section III – Federal Awards Findings and Questioned Costs

### 2010-002: Noncompliance – Special Education Grants to States – ARRA – CFDA No. 84.391

*Condition:* During the audit, the District did not comply with reporting to ODE the one and the only one vendor that received a single payment greater than \$25,000 on the 1512 ARRA Subrecipient Vendor report.

*Criteria:* American Recovery and Reinvestment Act of 2009 (ARRA), section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal Government to submit to the Federal Agency no later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. The Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states that Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. The District did not receive direct ARRA funding. However, the ODE's reporting guidance indicates that ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the 1512 reporting requirements associated with ARRA funding. Thus, the 1512 reporting requirements filter down to the District and the District is required to report certain information to ODE. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000.

*Effect:* Failure to properly report in accordance with program requirements could result in loss of funding or other actions by the funder.

*Cause:* The District did not implement procedures to ensure that all vendors receiving single payments of \$25,000 were reported on the ODE 1512 ARRA Subrecipient Vendor report on a quarterly basis.

*Recommendation:* We recommend the District implement procedures to ensure that all vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient Vendor report to comply with federal regulations.

*Management Response: The District is aware of the noncompliance noted as this vendor payment occurred towards the commencement of the new program. The District has established guidelines from the Ohio Department of Education to ensure further compliance reporting under this program.*

Milton-Union Exempted Village School District  
Schedule of Prior Audit Findings  
Fiscal Year Ended June 30, 2010

**Finding 2009-001: Audit Adjustments**

The audit result found it necessary to adjust the financial statements of the School District for unrecorded receivable amounts which were not included during the GAAP conversion process. Other insignificant adjustments were also posted to the financial statements as a result of audit procedures.

*Status:* Uncorrected – See current audit finding 2010-001.



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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# Dave Yost • Auditor of State

**MILTON UNION EXEMPTED VILLAGE SCHOOL DISTRICT**

**MIAMI COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2011**