



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, Ohio, as of June 30, 2008 and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting in Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 24, 2009

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited**

The discussion and analysis of the Millcreek-West Unity School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

In total, net assets increased \$7,847,002.

General revenues accounted for \$6,421,931, or 39 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$10,057,568, or 61 percent of total revenues of \$16,479,499.

The District's major funds included the General Fund and the Classroom Facilities Fund.

The General Fund had \$6,043,118 in receipts and other financing sources and \$5,919,107 in disbursements and other financing uses. The General Fund's balance increased \$124,011 from the prior fiscal year.

The Classroom Facilities Fund had \$8,906,215 in receipts and \$1,239,044 in disbursements. The Classroom Facilities Fund's balance increased \$7,667,171 from the prior fiscal year.

The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

The District is currently involved in a Ohio Schools Facility Commission construction project. The total construction cost of the project is \$20,750,198 which includes \$13,902,633 to be funded by the State of Ohio.

Using the Basic Financial Statements

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

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

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2008. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007. The increase in cash was attributed to the increase in building construction grant money revenues for fiscal year 2008. See financial statements for changes to these amounts.

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

| | <u>2008</u> | <u>2007</u> |
|---------------------------|---------------------|---------------------|
| <u>Assets:</u> | | |
| Current and Other Assets | \$20,028,513 | \$12,181,511 |
| Total Assets | <u>20,028,513</u> | <u>12,181,511</u> |
| <u>Net Assets:</u> | | |
| Restricted | 18,973,242 | 11,315,918 |
| Unrestricted | 1,055,271 | 865,593 |
| Total | <u>\$20,028,513</u> | <u>\$12,181,511</u> |

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007. The District was involved in a construction project financed through the Ohio School Facilities Construction (OSFC) program and local sources. As a result, capital grants and contributions had substantial increases during the fiscal year due to the receipt of OSFC monies, while general obligation bonds and notes issued had substantial decreases due to the issuance of debt to finance the local share.

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

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| <u>Revenues:</u> | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$858,009 | \$854,124 |
| Operating Grants, Contributions and Interest | 666,572 | 596,959 |
| Capital Grants and Contributions | 8,532,987 | 2,264,517 |
| Total Program Revenues | <u>10,057,568</u> | <u>3,715,600</u> |
| General Revenues: | | |
| Property Taxes | 2,147,669 | 1,908,257 |
| Income Taxes | 617,950 | 622,876 |
| Grants and Entitlements | 3,027,642 | 2,868,957 |
| Gifts and Donations | 2,854 | 4,361 |
| Investment Earnings | 585,067 | 67,630 |
| Miscellaneous | 39,556 | 41,888 |
| General Obligation Bonds Issued | | 8,708,172 |
| Notes Issued | | 8,709,000 |
| Premium on Bonds and Notes Issued | | 357,619 |
| Proceeds from Sale of Capital Assets | 750 | 8,723 |
| Refund of Prior Year Expenditures | 443 | 1,671 |
| Total General Revenues | <u>6,421,931</u> | <u>23,299,154</u> |
| Total Revenues | <u>16,479,499</u> | <u>27,014,754</u> |

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited
(Continued)**

| | | |
|------------------------------------|--------------------|---------------------|
| <u>Expenses:</u> | | |
| Instruction | 3,942,144 | 3,740,922 |
| Support Services: | | |
| Pupils | 162,771 | 155,418 |
| Instructional Staff | 263,864 | 226,635 |
| Board of Education | 26,509 | 31,121 |
| Administration | 589,611 | 561,517 |
| Fiscal | 171,865 | 131,336 |
| Operation and Maintenance of Plant | 532,620 | 516,220 |
| Pupil Transportation | 394,394 | 286,829 |
| Central | 61,579 | 52,298 |
| Non-Instructional | 219,329 | 214,908 |
| Extracurricular Activities | 270,969 | 252,653 |
| Capital Outlay | 1,273,339 | 314,356 |
| Principal | 215,000 | 8,794,000 |
| Interest and Fiscal Charges | 506,439 | 359,220 |
| Refund of Prior Year Receipt | 2,064 | 86 |
| Total Expenses | <u>8,632,497</u> | <u>15,637,519</u> |
| Increase in Net Assets | <u>\$7,847,002</u> | <u>\$11,377,235</u> |

Program receipts account for 61 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 46 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 10 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 6 percent, capital outlay represent 15 percent. The remaining 23 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Increases in capital grants and contributions, interest revenue and capital outlay are all a result of the Ohio School Facilities construction that was ongoing during the fiscal year.

In the prior year proceeds from debt financing for the local share of the Ohio School Facilities project were recognized.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited
(Continued)**

Governmental Activities

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

**Table 3
Governmental Activities**

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>2008</u> | <u>2008</u> | <u>2007</u> | <u>2007</u> |
| Instruction | \$3,942,144 | \$2,786,041 | \$3,740,922 | \$2,627,835 |
| Support Services: | | | | |
| Pupils | 162,771 | 162,771 | 155,418 | 153,418 |
| Instructional Staff | 263,864 | 263,864 | 226,635 | 226,635 |
| Board of Education | 26,509 | 26,509 | 31,121 | 31,121 |
| Administration | 589,611 | 581,472 | 561,517 | 552,231 |
| Fiscal | 171,865 | 171,865 | 131,336 | 131,336 |
| Operation and Maintenance of Plant | 532,620 | 532,620 | 516,220 | 516,220 |
| Pupil Transportation | 394,394 | 374,877 | 286,829 | 269,917 |
| Central | 61,579 | 55,579 | 52,298 | 52,298 |
| Non-Instructional | 219,329 | (16,481) | 214,908 | (14,934) |
| Extracurricular Activities | 270,969 | 174,027 | 252,653 | 174,997 |
| Capital Outlay | 1,273,339 | (7,261,718) | 314,356 | (1,952,461) |
| Principal | 215,000 | 215,000 | 8,794,000 | 8,794,000 |
| Interest and Fiscal Charges | 506,439 | 506,439 | 359,220 | 359,220 |
| Refund of Prior Year Receipt | 2,064 | 2,064 | 86 | 86 |
| Total Expenses | <u>\$8,632,497</u> | <u>(\$1,425,071)</u> | <u>\$15,637,519</u> | <u>\$11,921,919</u> |

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general revenues. All governmental activities were supported through from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds were the General Fund and the Classroom Facilities Fund. Total governmental funds had receipts and other financing sources of \$16,479,865 and disbursements and other financing uses of \$8,632,863. The net positive change of \$7,847,002 in fund balance for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed. Final expenditures and other financing uses were budgeted at \$6,312,602 (less than 1% greater than the original budget) while actual expenditures and other financing uses were \$6,002,542, which was approximately 5% less than anticipated.

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

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited
(Continued)**

Debt Administration

At June 30, 2008, the District had \$8,542,261 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2035. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2008, the District's overall legal debt margin was (\$2,875,854) with an unvoted debt margin of \$62,837.

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

Current Issues

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

The District is currently operating in the second year of the State biennium budget. 25.4 percent is from local funds, 72.7 percent is from State funds, and the remaining 1.9 percent is from Federal funds. The total expenditure per pupil was calculated at \$7,496.

In May 2006, the District's voters approved a 10.4 mill Bond Issue Levy for 28 years and an additional .5 mill Maintenance Levy for 23 years to pay the Local share of a new school with the Ohio School Classroom Facilities Program. In November of 2008, the District will go on the ballot for an Emergency Tax Levy Renewal of \$300,000 per year for 5 years.

The District had its groundbreaking in April of 2008 for its OSFC building project with completion and move in slated for the winter of 2009.

Contacting the District's Financial Management

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

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Net Assets - Cash Basis
June 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>20,028,513</u> |
| NET ASSETS: | |
| Restricted for Debt Service | 260,187 |
| Restricted for Capital Outlay | 18,395,625 |
| Restricted for Set-Asides | 131,990 |
| Restricted for Other Purposes | 185,440 |
| Unrestricted | <u>1,055,271</u> |
| Total Net Assets | \$ <u>20,028,513</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|--------------------------------------|--|--|--|
| Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 2,706,719 | \$ 612,607 | \$ 94,732 | \$ (1,999,380) |
| Special | 872,218 | | 433,784 | (438,434) |
| Vocational | 81,415 | | 14,980 | (66,435) |
| Other | 281,792 | | | (281,792) |
| Support Services: | | | | |
| Pupils | 162,771 | | | (162,771) |
| Instructional Staff | 263,864 | | | (263,864) |
| Board of Education | 26,509 | | | (26,509) |
| Administration | 589,611 | 3,139 | 5,000 | (581,472) |
| Fiscal | 171,865 | | | (171,865) |
| Operation and Maintenance of Plant | 532,620 | | | (532,620) |
| Pupil Transportation | 394,394 | | 19,517 | (374,877) |
| Central | 61,579 | | 6,000 | (55,579) |
| Operation of Non-Instructional Services | 219,329 | 145,321 | 90,489 | 16,481 |
| Extracurricular Activities | 270,969 | 96,942 | | (174,027) |
| Capital Outlay | 1,273,339 | | 2,070 | 7,261,718 |
| Debt Service: | | | | |
| Principal | 215,000 | | | (215,000) |
| Interest and Fiscal Charges | 506,439 | | | (506,439) |
| Refund of Prior Year Receipts | 2,064 | | | (2,064) |
| Totals | \$ 8,632,497 | \$ 858,009 | \$ 666,572 | \$ 8,532,987 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 1,541,655 |
| Property Taxes, Levied for Debt Service | | | | 580,979 |
| Property Taxes, Levied for Capital Maintenance | | | | 25,035 |
| Income Taxes | | | | 617,950 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 3,027,642 |
| Gifts and Donations | | | | 2,854 |
| Investment Earnings | | | | 585,067 |
| Miscellaneous | | | | 39,556 |
| Proceeds from Sale of Capital Assets | | | | 750 |
| Refund of Prior Year Expenditures | | | | 443 |
| Total General Revenues | | | | 6,421,931 |
| Change in Net Assets | | | | 7,847,002 |
| Net Assets Beginning of Year | | | | 12,181,511 |
| Net Assets End of Year | | | | \$ 20,028,513 |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2008**

| | <u>General Fund</u> | <u>Classroom Facilities Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------------|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,055,271 | \$ 16,394,035 | \$ 2,447,217 | \$ 19,896,523 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 131,990 | | | 131,990 |
| Total Assets | \$ 1,187,261 | \$ 16,394,035 | \$ 2,447,217 | \$ 20,028,513 |
| Fund Balances | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 83,435 | 15,438,756 | 881,107 | 16,403,298 |
| Reserved for Textbooks and Instructional Materials | 131,990 | | | 131,990 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 971,836 | | | 971,836 |
| Special Revenue Funds | | | 158,327 | 158,327 |
| Debt Service Funds | | | 260,187 | 260,187 |
| Capital Projects Funds | | 955,279 | 1,147,596 | 2,102,875 |
| Total Fund Balances | \$ 1,187,261 | \$ 16,394,035 | \$ 2,447,217 | \$ 20,028,513 |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008**

| | <u>General Fund</u> | <u>Classroom Facilities Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------------|---|---|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 1,541,655 | | \$ 606,014 | \$ 2,147,669 |
| Income Tax | 617,950 | | | 617,950 |
| Intergovernmental | 3,157,905 | \$ 8,532,987 | 536,309 | 12,227,201 |
| Interest | 104,642 | 373,228 | 107,197 | 585,067 |
| Tuition and Fees | 578,012 | | 32,463 | 610,475 |
| Rent | 2,132 | | | 2,132 |
| Extracurricular Activities | | | 99,781 | 99,781 |
| Gifts and Donations | 150 | | 2,704 | 2,854 |
| Customer Sales and Services | | | 145,621 | 145,621 |
| Miscellaneous | 39,556 | | | 39,556 |
| Total Revenues | <u>6,042,002</u> | <u>8,906,215</u> | <u>1,530,089</u> | <u>16,478,306</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,610,791 | | 95,928 | 2,706,719 |
| Special | 601,883 | | 270,335 | 872,218 |
| Vocational | 81,415 | | | 81,415 |
| Other | 281,792 | | | 281,792 |
| Support Services: | | | | |
| Pupils | 161,771 | | 1,000 | 162,771 |
| Instructional Staff | 261,299 | | 2,565 | 263,864 |
| Board of Education | 26,509 | | | 26,509 |
| Administration | 563,982 | | 25,629 | 589,611 |
| Fiscal | 170,300 | | 1,565 | 171,865 |
| Operation and Maintenance of Plant | 532,620 | | | 532,620 |
| Pupil Transportation | 394,394 | | | 394,394 |
| Central | 55,579 | | 6,000 | 61,579 |
| Operation of Non-Instructional Services | | | 219,329 | 219,329 |
| Extracurricular Activities | 174,772 | | 96,197 | 270,969 |
| Capital Outlay | | 1,239,044 | 34,295 | 1,273,339 |
| Debt Service: | | | | |
| Principal | | | 215,000 | 215,000 |
| Interest | | | 506,439 | 506,439 |
| Total Expenditures | <u>5,917,107</u> | <u>1,239,044</u> | <u>1,474,282</u> | <u>8,630,433</u> |
| Excess of Revenues Over Expenditures | <u>124,895</u> | <u>7,667,171</u> | <u>55,807</u> | <u>7,847,873</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | 366 | | | 366 |
| Proceeds from the Sale of Capital Assets | 750 | | | 750 |
| Refund of Prior Year Expenditures | | | 443 | 443 |
| Transfers Out | | | (366) | (366) |
| Refund of Prior Year Receipts | (2,000) | | (64) | (2,064) |
| Total Other Financing Sources and Uses | <u>(884)</u> | | <u>13</u> | <u>(871)</u> |
| Net Change in Fund Balances | 124,011 | 7,667,171 | 55,820 | 7,847,002 |
| Fund Balance at Beginning of Year | 1,063,250 | 8,726,864 | 2,391,397 | 12,181,511 |
| Fund Balance at End of Year | <u>\$ 1,187,261</u> | <u>\$ 16,394,035</u> | <u>\$ 2,447,217</u> | <u>\$ 20,028,513</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2008**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|---------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 1,545,000 | \$ 1,545,000 | \$ 1,541,655 | \$ (3,345) |
| Income Tax | 500,000 | 500,000 | 617,950 | 117,950 |
| Intergovernmental | 3,320,000 | 3,305,500 | 3,157,905 | (147,595) |
| Interest | 50,000 | 50,000 | 104,642 | 54,642 |
| Tuition and Fees | 543,300 | 557,500 | 578,012 | 20,512 |
| Rent | 300 | 300 | 2,132 | 1,832 |
| Gifts and Donations | 150 | 4,000 | 150 | (3,850) |
| Miscellaneous | 40,250 | 40,500 | 39,556 | (944) |
| Total Revenues | <u>5,999,000</u> | <u>6,002,800</u> | <u>6,042,002</u> | <u>39,202</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,757,307 | 2,749,857 | 2,641,663 | 108,194 |
| Special | 531,125 | 532,054 | 601,883 | (69,829) |
| Vocational | 113,923 | 104,423 | 82,944 | 21,479 |
| Other | 328,250 | 314,898 | 281,792 | 33,106 |
| Support Services: | | | | |
| Pupils | 153,522 | 159,422 | 162,590 | (3,168) |
| Instructional Staff | 257,030 | 292,180 | 273,761 | 18,419 |
| Board of Education | 47,579 | 46,979 | 32,400 | 14,579 |
| Administration | 568,290 | 578,391 | 564,349 | 14,042 |
| Fiscal | 186,811 | 183,061 | 172,974 | 10,087 |
| Operation and Maintenance of Plant | 548,037 | 543,586 | 552,762 | (9,176) |
| Pupil Transportation | 408,343 | 412,543 | 402,403 | 10,140 |
| Central | 73,500 | 88,500 | 55,579 | 32,921 |
| Extracurricular Activities | | | | |
| Academic Oriented Activities | 9,572 | 23,658 | 23,892 | (234) |
| Sport Oriented Activities | 156,050 | 131,050 | 151,550 | (20,500) |
| Total Expenditures | <u>6,139,339</u> | <u>6,160,602</u> | <u>6,000,542</u> | <u>160,060</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(140,339)</u> | <u>(157,802)</u> | <u>41,460</u> | <u>199,262</u> |
| Other Financing Sources and Uses: | | | | |
| Transfers In | 200,000 | 200,000 | 366 | (199,634) |
| Proceeds from Sale of Capital Assets | 1,000 | 1,000 | 750 | (250) |
| Transfers Out | (150,000) | (150,000) | | 150,000 |
| Refund of Prior Year Receipts | | (2,000) | (2,000) | |
| Total Other Financing Sources and Uses | <u>51,000</u> | <u>49,000</u> | <u>(884)</u> | <u>(49,884)</u> |
| Net Change in Fund Balances | (89,339) | (108,802) | 40,576 | 149,378 |
| Fund Balance at Beginning of Year | 975,782 | 975,782 | 975,782 | |
| Prior Year Encumbrances Appropriated | 87,468 | 87,468 | 87,468 | |
| Fund Balance at End of Year | <u>\$ 973,911</u> | <u>\$ 954,448</u> | <u>\$ 1,103,826</u> | <u>\$ 149,378</u> |

See Accompanying Notes to the Basic Financial Statements

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2008

| | <u>Private Purpose Trust</u> | <u>Agency Fund</u> |
|--|----------------------------------|--------------------|
| Assets | | |
| Current Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>23,901</u> | \$ <u>18,665</u> |
| Liabilities | | |
| Current Liabilities: | | |
| Undistributed Monies | <u></u> | \$ <u>18,665</u> |
| Net Assets | | |
| Held in Trust for Scholarships | \$ <u>23,901</u> | <u></u> |

See Accompanying Notes to the Basic Financial Statements

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

| | <u>Private Purpose Trust</u> |
|--|----------------------------------|
| ADDITIONS: | |
| Gifts and Contributions | \$ 17,217 |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | <u>15,485</u> |
| Change in Net Assets | 1,732 |
| Net Assets Beginning of Year | <u>22,169</u> |
| Net Assets End of Year | <u>\$ 23,901</u> |

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Millcreek-West Unity School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's instructional/support facility staffed by 26 non-certified and 54 certified personnel who provide services to 746 students and other community members.

Reporting Entity

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

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

The District is associated with seven organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Northwest Ohio Educational Council Self-Insurance Pool Program. These organizations are presented in Notes 13 and 14 to the basic financial statements.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for reporting certain investments at fair value, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit, federal agency securities, open end mutual funds, and STAR Ohio. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as non-negotiable certificates of deposit, are valued at cost. 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 investments could be sold for on June 30, 2008.

Following state statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$104,642 which included \$12,726 assigned from other District Funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Compensated Absences

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Interfund Activity

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

M. Net Assets

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

There are no amounts restricted by enabling legislation.

N. Fund Balance Reserves

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

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

3. BUDGETARY BASIS OF ACCOUNTING

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

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

| | |
|--------------|----------|
| General Fund | \$83,435 |
|--------------|----------|

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (continued)

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

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

Investments

As of June 30, 2008, the District had the following investments and maturities:

| <u>Investment Type</u> | <u>Balance at Fair Value</u> | <u>6 Months or Less</u> | <u>7 to 12 Months</u> | <u>13 to 18 Months</u> |
|--|----------------------------------|-----------------------------|---------------------------|----------------------------|
| Federal Home Loan Mortgage Corporation (FHLMC) Notes | \$2,014,320 | \$1,005,390 | \$1,008,930 | |
| Federal Home Loan Bank (FHLB) Bonds | 2,007,260 | 2,007,260 | | |
| Federal National Mortgage Association (FNMA) Notes | 1,000,750 | 1,000,750 | | |
| Invesco Aim Short-Term Investments Trust – Government and Agency Portfolio (Mutual Fund) | 4,156,627 | 4,156,627 | | |
| Ohio State Building Authority | 203,338 | | | \$203,338 |
| STAR Ohio | 500,031 | 500,031 | | |
| Total Investments | <u>\$9,882,326</u> | <u>\$8,670,058</u> | <u>\$1,008,930</u> | <u>\$203,338</u> |

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk - The Mutual Fund, FNMA Notes, FHLMC Notes and FHLB Bonds carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The Ohio State Building Authority securities carry a rating of AA2 by Moody's and AA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (continued)

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investments in the Mutual Fund, FHLMC Notes, the FHLB Bonds, and FNMA Notes represent 42, 20, 20, and 10 percent respectively, of the District's total investments.

5. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2008 were as follows:

| | <u>Balance at 06/30/07</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance at 06/30/08</u> | <u>Amounts Due In One Year</u> |
|--|--------------------------------|-----------------|------------------|--------------------------------|------------------------------------|
| 2006 School Improvement Bonds | | | | | |
| Current Interest Bonds (Serial) Rate 4.00% | \$3,400,000 | | \$215,000 | \$3,185,000 | \$210,000 |
| Current Interest Bonds (Term) Rate 4.125% | 5,145,000 | | | 5,145,000 | |
| Capital Appreciation Bonds Rate 18.7588406% | 163,172 | \$49,089 | | 212,261 | |
| Total Debt Obligation | <u>\$8,708,172</u> | <u>\$49,089</u> | <u>\$215,000</u> | <u>\$8,542,261</u> | <u>\$210,000</u> |

Total expenditures for interest for the above debt for the period ended June 30, 2008 was \$506,439.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. LONG TERM OBLIGATIONS (continued)

The Current Interest Bonds

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

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

Redemption of Current Interest Bonds

Mandatory Sinking Fund Redemption

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

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

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

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

| <u>Year</u> | <u>Principal Amount to be Redeemed</u> |
|-------------|--|
| 2029 | \$435,000 |
| 2030 | 450,000 |
| 2031 | 470,000 |
| 2032 | 490,000 |
| 2033 | 510,000 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. LONG TERM OBLIGATIONS (continued)

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

Optional Redemption

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

The Capital Appreciation Bonds

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

| <u>Maturity Date</u> | <u>Original Principal Amount</u> | <u>Accreted Value at Maturity</u> |
|----------------------|----------------------------------|-----------------------------------|
| 2014 | \$64,711 | \$270,000 |
| 2015 | 54,089 | 270,000 |
| 2016 | 44,372 | 265,000 |

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

The annual requirements to service the principal and interest of the capital appreciation bonds to maturity are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|--------------------|--------------------|---------------------|
| 2009 | \$210,000 | \$335,431 | \$545,431 |
| 2010 | 220,000 | 326,831 | 546,831 |
| 2011 | 230,000 | 317,831 | 547,831 |
| 2012 | 240,000 | 308,432 | 548,432 |
| 2013 | 250,000 | 298,631 | 548,631 |
| 2014 - 2018 | 737,261 | 2,008,796 | 2,746,057 |
| 2019 - 2023 | 1,510,000 | 1,216,556 | 2,726,556 |
| 2024 – 2028 | 1,845,000 | 876,872 | 2,721,872 |
| 2029 – 2033 | 2,260,000 | 455,194 | 2,715,194 |
| 2034 - 2035 | 1,040,000 | 43,313 | 1,083,313 |
| Total | <u>\$8,542,261</u> | <u>\$6,187,887</u> | <u>\$14,730,148</u> |

The District's overall debt margin was (\$2,875,854) with an unvoted debt margin of \$62,837 at June 30, 2008. Ohio Revised Code 133.06 (1) allows a district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES

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

Property taxes include amounts levied against all property, public utility property, and tangible personal (used in business) property located in the area served by the District. Real property tax revenues received in calendar year 2008 represent the collection calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2008 taxes are based are as follows:

| | 2007 Second- Half Collections | | 2008 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$48,057,340 | 74% | \$48,253,080 | 77% |
| Industrial/Commercial | 8,603,500 | 13% | 8,565,120 | 13% |
| Public Utility | 2,522,250 | 4% | 1,891,130 | 3% |
| Tangible Personal | 5,666,880 | 9% | 4,127,510 | 7% |
| Total Assessed Value | <u>\$64,849,970</u> | <u>100%</u> | <u>\$62,836,840</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$60.40 | | \$60.40 | |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. INCOME TAX

In 2004, the voters of the District passed a one percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2008, the District recorded income tax revenue of \$617,950 in the General Fund.

8. RISK MANAGEMENT

A. Comprehensive

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (the Program), a public entity insurance purchasing pool, which consists of school districts within Northwest Ohio (Note 14). The District pays annual premiums into the program for comprehensive insurance coverage liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. The Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing.

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities (Note 14). The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 14). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. DEFINED BENEFIT PENSION PLAN

A. School Employees 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2008, 9.16 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$77,936, \$83,105, and \$79,425, respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2008, 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 2007, 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$422,884, \$406,757, and \$383,166, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

10. POST-EMPLOYMENT 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 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 System 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 401h. For 2008, 4.18 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 2008, this amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

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.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$35,565, \$25,834, and \$25,674 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal year ended June 30, 2008 was \$5,615, equal to 47 percent of the required contributions.

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 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 2008, 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, 2008, 2007, and 2006 were \$32,530, \$31,289, and \$29,474, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

11. COMPENSATED ABSENCES

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 38 days. For employees with 10-19 years of service, the maximum is 50 days; for employees with 20 or more years of service, the maximum is 60 days.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. STATUTORY RESERVES

The District is required by State Statute to annually set aside in the General Fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The following cash basis information describes the change in the year-end set aside amounts for textbooks. Disclosure of this information is required by State statute.

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Totals</u> |
|--|------------------|--------------------------------|--------------------|
| Set-aside Cash Balance as of June 30, 2007 | \$197,657 | | \$197,657 |
| Current Year Set-aside Requirement | 109,025 | \$109,025 | 218,050 |
| Current Year Offsets | | (606,014) | (606,014) |
| Qualifying Disbursements | (174,692) | | (174,692) |
| Total | <u>\$131,990</u> | <u>\$(496,989)</u> | <u>\$(364,999)</u> |
| Cash Balance Carried Forward to FY 2009 | <u>\$131,990</u> | | <u>\$131,990</u> |
| Total Restricted Cash Assets | <u>\$131,990</u> | | <u>\$131,990</u> |

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. The District paid \$111,971 for services rendered through NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 for services rendered through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. The District paid \$175 for services rendered through NOERC. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

14. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

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

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

B. NBEC Workers' Compensation Group Rating Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. GROUP PURCHASING POOLS (continued)

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

C. Northwest Ohio Educational Council Self-Insurance Pool Program

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

15. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

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

16. INTERFUND TRANSFERS

The General Fund transferred \$366 to Adult Education Fund during the year ended June 30, 2008 to subsidy operations.

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

17. **CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the District had the following contractual purchase commitments:

| <u>Company</u> | <u>Remaining</u> |
|-----------------------------|----------------------|
| Barton Malow/Rupp Rosebrock | \$ 788,646 |
| SSOE, Inc. | 711,073 |
| Mel Lanzer Construction | 9,420,600 |
| Bayes, Inc. | 774,000 |
| LR Babcock, Inc. | 2,668,800 |
| Accel Fire Systems, Inc. | 240,400 |
| Transtar Electrical, Inc. | 1,996,124 |
| Total | <u>\$ 16,599,643</u> |

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Millcreek-West Unity Local School District, Williams County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2009, wherein, we noted the District followed the cash accounting basis rather than generally accepted accounting principles, contrary to Ohio law. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the District's management in a separate letter dated November 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 24, 2009.

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

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



Mary Taylor, CPA
Auditor of State

November 24, 2009

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials Response:

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2007-001 | Ohio Administrative Code § 117-2-03(B) – Not reporting on GAAP. | No | Not corrected. Reissued as finding 2008-001 in this report. |
| 2007-002 | Significant Deficiency – Financial Reporting | Yes | |
| 2007-003 | Significant Deficiency – Sales Project Potential Forms | Yes | |



Mary Taylor, CPA
Auditor of State

MILLCREEK-WEST UNITY LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 17, 2009**