

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2013 AND 2012**

MICHAEL SIEBENECK, TREASURER



Dave Yost • Auditor of State

Board of Education
Miller City-New Cleveland Local School District
200 N. Main Street, P.O. Box 38
Miller City, Ohio 45864

We have reviewed the *Independent Auditor's Report* of the Miller City-New Cleveland Local School District, Putnam County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 14, 2013

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**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Miller City-New Cleveland Local School District
200 N. Main Street, P.O. Box 38
Miller City, Ohio 45864

To the Members of the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the Miller City-New Cleveland Local School District, Putnam County, Ohio, as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Miller City-New Cleveland Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Miller City-New Cleveland Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Miller City-New Cleveland Local School District prepared these financial statements using the cash accounting basis. However, Ohio Administrative Code Section 117-2-03 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Miller City-New Cleveland Local School District as of and for the fiscal years ended June 30, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2011 the Miller City-New Cleveland Local School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

The Miller City-New Cleveland Local School District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013, on our consideration of the Miller City-New Cleveland Local School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Miller City-New Cleveland Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 26, 2013

**MILLER CITY - NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
From local sources:				
Taxes	\$ 1,428,808	\$ 15,333	\$ 97,028	\$ 1,541,169
Earnings on investments	5,014	-	-	5,014
Extracurricular activities	-	76,930	-	76,930
Classroom materials and fees	24,687	-	-	24,687
Tuition	495,286	-	-	495,286
Transportation fees	20,157	-	-	20,157
Intergovernmental	2,298,944	142,754	14,473	2,456,171
Miscellaneous	23,907	2,751	-	26,658
Total cash receipts	<u>4,296,803</u>	<u>237,768</u>	<u>111,501</u>	<u>4,646,072</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	2,239,583	3,633	-	2,243,216
Special	176,274	44,736	-	221,010
Vocational	245,181	175	-	245,356
Other	-	1,249	-	1,249
Support Services:				
Pupil	109,299	-	-	109,299
Instructional staff	131,782	70,632	-	202,414
Board of Education	63,970	464	-	64,434
Administration	374,707	-	-	374,707
Fiscal services	51,711	-	-	51,711
Operations and maintenance	757,682	47,176	-	804,858
Pupil transportation	290,784	-	-	290,784
Central	6,365	-	-	6,365
Non-Instructional services	148	-	-	148
Extracurricular activities	117,809	75,981	-	193,790
Debt service:				
Principal retirement	57,357	8,310	80,000	145,667
Interest and fiscal charges	22,161	1,227	23,160	46,548
Total cash disbursements	<u>4,644,813</u>	<u>253,583</u>	<u>103,160</u>	<u>5,001,556</u>
Excess of receipts over(under) disbursements	<u>(348,010)</u>	<u>(15,815)</u>	<u>8,341</u>	<u>(355,484)</u>
Other financing receipts/(disbursements):				
Sale and loss of assets	30,701	-	-	30,701
Total other financing receipts/(disbursements)	<u>30,701</u>	<u>-</u>	<u>-</u>	<u>30,701</u>
Extraordinary item	<u>604,375</u>	<u>-</u>	<u>-</u>	<u>604,375</u>
Net change in cash fund balance	287,066	(15,815)	8,341	279,592
Cash fund balance, July 1, 2012	<u>1,870,929</u>	<u>131,854</u>	<u>292,400</u>	<u>2,295,183</u>
Nonspendable	117	-	-	117
Restricted	744,823	121,277	300,741	1,166,841
Committed	108,005	-	-	108,005
Assigned	139,250	-	-	139,250
Unassigned	1,165,800	(5,238)	-	1,160,562
Cash fund balance, June 30, 2013	<u>\$ 2,157,995</u>	<u>\$ 116,039</u>	<u>\$ 300,741</u>	<u>\$ 2,574,775</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MILLER CITY - NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCE - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Proprietary Fund Type	Fiduciary Fund Type		Total
	Enterprise	Private Purpose Trust	Agency	(Memorandum Only)
Operating cash receipts:				
Sales/charges for services	\$ 153,530	\$ -	\$ -	\$ 153,530
Contributions	-	3,590	2,210	5,800
Interest receipts	-	503	-	503
Extracurricular activities	-	-	90,718	90,718
Total operating cash receipts	<u>153,530</u>	<u>4,093</u>	<u>92,928</u>	<u>250,551</u>
Operating cash disbursements:				
Personal services	69,637	-	32	69,669
Employees' retirement and insurance	30,036	-	5	30,041
Purchased services	13,475	-	-	13,475
Supplies and material	91,359	-	-	91,359
Other	-	6,616	93,854	100,470
Total operating cash disbursements	<u>204,507</u>	<u>6,616</u>	<u>93,891</u>	<u>305,014</u>
Operating income/(loss)	<u>(50,977)</u>	<u>(2,523)</u>	<u>(963)</u>	<u>(54,463)</u>
Nonoperating cash receipts:				
Interest income	24	-	-	24
Intergovernmental receipts	33,000	-	-	33,000
Other	45	-	696	741
Total nonoperating cash receipts	<u>33,069</u>	<u>-</u>	<u>696</u>	<u>33,765</u>
Net change in cash net position	(17,908)	(2,523)	(267)	(20,698)
Cash fund balance, July 1, 2012	<u>57,946</u>	<u>154,525</u>	<u>48,970</u>	<u>261,441</u>
Cash fund balance, June 30, 2013	<u>\$ 40,038</u>	<u>\$ 152,002</u>	<u>\$ 48,703</u>	<u>\$ 240,743</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MILLER CITY - NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
From local sources:					
Taxes	\$ 1,399,715	\$ 15,154	\$ 107,884	\$ -	\$ 1,522,753
Earnings on investments	7,743	-	-	39	7,782
Extracurricular activities	-	79,276	-	-	79,276
Classroom materials and fees	24,993	-	-	-	24,993
Tuition	502,541	-	-	-	502,541
Transportation fees	22,282	-	-	-	22,282
Intergovernmental	2,240,782	162,262	16,528	-	2,419,572
Miscellaneous	11,666	1,385	-	-	13,051
Total cash receipts	<u>4,209,722</u>	<u>258,077</u>	<u>124,412</u>	<u>39</u>	<u>4,592,250</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	2,169,706	4,997	-	-	2,174,703
Special	186,451	37,806	-	-	224,257
Vocational	257,842	-	-	-	257,842
Other	-	8,560	-	-	8,560
Support Services:					
Pupil	82,389	3,560	-	-	85,949
Instructional staff	133,882	84,512	-	-	218,394
Board of Education	52,430	494	-	-	52,924
Administration	437,286	-	-	-	437,286
Fiscal services	64,047	-	-	-	64,047
Operations and maintenance	491,130	28,021	-	-	519,151
Pupil transportation	238,751	-	-	-	238,751
Central	6,258	-	-	-	6,258
Non-Instructional services	181	764	-	-	945
Extracurricular activities	119,133	77,977	-	-	197,110
Debt service:					
Principal retirement	58,837	-	80,000	-	138,837
Interest and fiscal charges	25,596	-	25,335	-	50,931
Total cash disbursements	<u>4,323,919</u>	<u>246,691</u>	<u>105,335</u>	<u>-</u>	<u>4,675,945</u>
Excess of receipts over(under) disbursements	<u>(114,197)</u>	<u>11,386</u>	<u>19,077</u>	<u>39</u>	<u>(83,695)</u>
Other financing receipts/(disbursements):					
Transfers-in	133,374	50,422	-	-	183,796
Transfers-out	-	-	-	(183,796)	(183,796)
Total other financing receipts/(disbursements)	<u>133,374</u>	<u>50,422</u>	<u>-</u>	<u>(183,796)</u>	<u>-</u>
Net change in cash fund balance	19,177	61,808	19,077	(183,757)	(83,695)
Cash fund balance, July 1, 2011 - Restated	<u>1,851,752</u>	<u>70,046</u>	<u>273,323</u>	<u>183,757</u>	<u>2,378,878</u>
Nonspendable					
Restricted	117	-	-	-	117
Committed	455,473	137,472	292,400	-	885,345
Assigned	126,130	-	-	-	126,130
Unassigned	46,535	-	-	-	46,535
Cash fund balance, June 30, 2012	<u>\$ 1,870,929</u>	<u>\$ 131,854</u>	<u>\$ 292,400</u>	<u>\$ -</u>	<u>\$ 2,295,183</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MILLER CITY - NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCE - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Proprietary Fund Type	Fiduciary Fund Type		Total
	Enterprise	Private Purpose Trust	Agency	(Memorandum Only)
Operating cash receipts:				
Sales/charges for services	\$ 162,166	\$ -	\$ -	\$ 162,166
Contributions	-	28,125	-	28,125
Interest receipts	-	676	-	676
Extracurricular activities	-	-	105,494	105,494
Total operating cash receipts	<u>162,166</u>	<u>28,801</u>	<u>105,494</u>	<u>296,461</u>
Operating cash disbursements:				
Personal services	67,208	-	232	67,440
Employees' retirement and insurance	28,598	-	38	28,636
Purchased services	12,054	-	-	12,054
Supplies and material	93,139	-	-	93,139
Other	-	6,600	104,471	111,071
Total operating cash disbursements	<u>200,999</u>	<u>6,600</u>	<u>104,741</u>	<u>312,340</u>
Operating income/(loss)	<u>(38,833)</u>	<u>22,201</u>	<u>753</u>	<u>(15,879)</u>
Nonoperating cash receipts (disbursements):				
Interest income	61	-	-	61
Capital outlay	(8,539)	-	-	(8,539)
Intergovernmental receipts	35,095	-	-	35,095
Other	-	-	2,994	2,994
Total nonoperating cash receipts (disbursements)	<u>26,617</u>	<u>-</u>	<u>2,994</u>	<u>29,611</u>
Net change in cash net position	(12,216)	22,201	3,747	13,732
Cash fund balance, July 1, 2011 - restated	<u>70,162</u>	<u>132,324</u>	<u>45,223</u>	<u>247,709</u>
Cash fund balance, June 30, 2012	<u>\$ 57,946</u>	<u>\$ 154,525</u>	<u>\$ 48,970</u>	<u>\$ 261,441</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Miller City-New Cleveland Local School District (the District) is located in Putnam County, including the Village of Miller City and all or portions of Greensburg, Liberty, Ottawa and Palmer Townships. The District serves an area of approximately 48 square miles.

The District was organized in 1932, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates one instructional building. The District employs 17 non-certified and 36 certified (including administrative) full-time and part-time employees to provide services to approximately 461 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

A. The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government 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 of the District.

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District participates in two jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 16 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Millstream Career and Technology Center
Northwest Ohio Area Computer Services Cooperative

Public Entity Risk Pool:

Schools of Ohio Risk Sharing Authority
Putnam County School Insurance Group
OSBA Workers' Compensation Group Rating Plan

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund - The general fund is the operating fund of the District and 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.

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUND TYPES

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 therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Funds for which the District is acting in an agency capacity are classified as agency funds. The District's agency fund accounts for student activities.

C. Basis of Accounting

The District's financial statements are prepared using the regulatory basis of accounting. 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 regulatory 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.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records.

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

During 2013 and 2012, the District invested in nonnegotiable certificates of deposit and Certificates of Deposit Account Registry Services (CDARS). Investments are reported at cost.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

I. 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.

J. Long-Term Obligations

The District's regulatory basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Bond Issuance Costs/Bond Premium

Bond issuance costs are recorded as disbursements in the year incurred due to the District's accounting method.

Bond premiums are recorded as receipts in the year incurred due to the District's accounting method.

L. Interfund Transactions

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

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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 position are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The District had an extraordinary item in 2012 related to insurance proceeds from wind storm damages.

P. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Change in Accounting Principle and Restatement of Net Position/Fund Balance

For fiscal year 2012, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances as previously reported:

	General	Special Revenue	Agency	Total
Fund Balance at June 30, 2011	\$1,845,684	\$75,983	\$45,354	\$1,967,021
GASB 54 Change in in Fund Structure	6,068	(5,937)	(131)	0
Adjusted Fund Balance at June 30, 2011	\$1,851,752	\$70,046	\$45,223	\$1,967,021

B. Change in Accounting Principle

For fiscal year 2012, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

- C.** Ohio Administrative Code, Section 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, the District prepared its financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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

Interim monies may 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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 only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2013, \$1,523,856 of the District's bank balance of \$2,873,399 and at June 30, 2012, \$1,214,852 of the District's bank balance of \$2,576,335 was exposed to custodial credit risk because it was uninsured and collateralized with pooled securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one-hundred-five percent of the deposits being secured.

NOTE 5 - BUDGETARY ACTIVITY

Budgetary activity for the fiscal years ending June 30, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,982,457	\$ 4,931,879	\$ (50,578)
Special Revenue	261,706	237,768	(23,938)
Debt Service	110,578	111,501	923
Enterprise	189,500	186,599	(2,901)
Private Purpose Trust	3,555	4,093	538
Total	\$ 5,547,796	\$ 5,471,840	\$ (75,956)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,156,170	\$ 4,894,524	\$ 261,646
Special Revenue	308,565	290,179	18,386
Debt Service	110,602	103,160	7,442
Enterprise	213,028	204,852	8,176
Private Purpose Trust	12,500	9,516	2,984
Total	\$ 5,800,865	\$ 5,502,231	\$ 298,634

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 5 - BUDGETARY ACTIVITY - (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,279,130	\$ 4,343,096	\$ 63,966
Special Revenue	354,231	308,499	(45,732)
Debt Service	124,402	124,412	10
Capital Projects	39	39	-
Enterprise	194,500	197,322	2,822
Private Purpose Trust	31,500	28,801	(2,699)
Total	<u>\$ 4,983,802</u>	<u>\$ 5,002,169</u>	<u>\$ 18,367</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,715,669	\$ 4,400,016	\$ 315,653
Special Revenue	349,363	275,588	73,775
Debt Service	132,425	105,335	27,090
Capital Projects	183,796	183,796	-
Enterprise	209,952	209,538	414
Private Purpose Trust	10,500	6,600	3,900
Total	<u>\$ 5,601,705</u>	<u>\$ 5,180,873</u>	<u>\$ 420,832</u>

NOTE 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 real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar years 2013 and 2012 represent the collection of calendar years 2011 and 2010 taxes. Real property taxes received in calendar years 2013 and 2012 were levied after April 1, 2011 and 2010, respectively, on the assessed values as of January 1, 2011 and 2010, the lien dates. 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 revenues received in calendar years 2013 and 2012 represent the collection of calendar years 2011 and 2010 taxes. Public utility real and tangible personal property taxes received in calendar years 2013 and 2012 became a lien on December 31, 2011 and 2010, respectively, were levied after April 1, 2011 and 2010, respectively, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax receipts received in the District's fiscal years ended June 30, 2013 and 2012 (other than public utility property) generally represent the collection of calendar years 2013 and 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar years 2013 and 2012 were levied after October 1, 2011 and October 1, 2010, respectively, on the value as of December 31, 2011 and 2010, respectively. Amounts paid by multi-county taxpayers were due September 20. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, with the remainder payable by September 20.

The District receives property taxes from Putnam 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, 2013, are available to finance fiscal year 2012 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

NOTE 7 - INCOME TAXES

The District levies a voted tax of 1¼ percent for general operations on the income of residents and of estates. The tax was effective in 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal years 2013 and 2012, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability coverage with a \$11,000,000 single occurrence limit and \$13,000,000 aggregate and no deductible. Professional liability is protected at the level of \$11,000,000 for single occurrence and aggregate limit and a waived deductible. Vehicles have no deductible for both comprehensive and collision and are covered for property and automobile liability insurance in the amount of \$11,000,000. An additional excess liability policy of \$1,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$30,520,229 limit and a waived deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Trust. The District converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal years 2013 and 2012 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$52,110, \$53,512 and \$52,649, respectively; 90.66 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 9 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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 website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, 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. 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 Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$264,706, \$266,830 and \$257,172, respectively; 84.40 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$636, \$9,636 and \$14,460, respectively; 90.66 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,944, \$3,160 and \$3,388, respectively; 90.66 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the “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, under “Publications” 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 2013, 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, 2013, 2012 and 2011 were \$20,362, \$20,525 and \$19,782, respectively; 84.40 percent has been contributed for fiscal year 2013 and 100 percent has been contributed for fiscal years 2012 and 2011.

NOTE 11 - OTHER EMPLOYEE BENEFITS

The Board of Education has approved an early retirement incentive (ERI) program for certified employees. The Board will purchase, from STRS, an additional one year of service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least fifty years old, qualified for retirement with the year purchased by the Board, and were employed by the Board prior to June 30, 2001. This program will expire June 30, 2034. The Board did not limit the number of employees participating in the plan in any one year. In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement.

NOTE 12 - DEBT

Debt outstanding at June 30, 2013 and 2012 was as follows:

<u>Description</u>	<u>Balance 06/30/12</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance 06/30/13</u>
2010 School Facilities Construction and Improvement Bonds Advance Refunding	\$ 683,740	\$ -	\$ (80,000)	\$ 603,740
OSFC Lease Purchase	419,000	-	(12,000)	407,000
Total Debt Obligations	<u>\$ 1,102,740</u>	<u>\$ -</u>	<u>\$ (92,000)</u>	<u>\$1,010,740</u>

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12 - DEBT - (Continued)

<u>Description</u>	<u>Balance 06/30/11</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance 06/30/12</u>
2010 School Facilities Construction and Improvement Bonds Advance Refunding	\$ 763,740	\$ -	\$ (80,000)	\$ 683,740
OSFC Lease Purchase	431,000	-	(12,000)	419,000
Total Debt Obligations	<u>\$ 1,194,740</u>	<u>\$ -</u>	<u>\$ (92,000)</u>	<u>\$1,102,740</u>

During the 2000 fiscal year, the District issued general obligation bonds to provide funds for the construction of facilities. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Under the basis of accounting used by the District, unmatured obligations of the District are not recorded as liabilities on the financial statements. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 6.53 (average) mil bonded debt tax levy.

These general obligation bonds represent the amount of the construction project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). The total estimated cost of the building project was \$12,474,606, of which OSFC paid \$10,603,119.

In conjunction with the 6.53 mils which support the bond issue, the District also passed in fiscal year 2000 a 0.5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the special revenue funds.

Series 2010 advance refunding general obligation bonds

On July 27, 2010, the District issued \$773,740 in School Facilities Construction and Improvement Bonds to advance refund the current interest Series 2000-B General Obligation Bonds. The refunded debt is considered defeased (in-substance).

On July 27, 2010, the District issued \$773,740 in School Facilities Construction and Improvement Advance Refunding Bonds. Of the \$773,740 bonds issued, \$455,000 is serial bonds with interest rates ranging from 1% to 3% and a final maturity December 1, 2017, \$310,000 is term bonds with an interest rate of 3.25% maturing December 1, 2022, and \$8,740 are capital appreciation bonds with a maturity value of \$77,317 on December 1, 2016. The bonds were used to refund the 2000 School Improvement Bonds. The net proceeds of \$796,844 (after payment of \$34,235 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 Series bonds. As a result, a portion of the 2000 Series bonds is considered defeased and have been removed from the above schedule. The District completed the advance refunding to reduce its total debt service payments by \$309,391 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$85,527.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 12 - DEBT - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the advance refunding bonds:

Fiscal Year Ending June 30,	Current Interest General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 75,000	\$ 18,700	\$ 93,700	\$ -	\$ -	\$ -
2015	75,000	17,106	92,106	-	-	-
2016	70,000	15,387	85,387	-	-	-
2017	-	-	-	8,740	75,773	84,513
2018	65,000	13,456	78,456	-	-	-
2019 - 2023	<u>310,000</u>	<u>30,400</u>	<u>340,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 595,000</u>	<u>\$ 95,049</u>	<u>\$ 690,049</u>	<u>\$ 8,740</u>	<u>\$ 75,773</u>	<u>\$ 84,513</u>

NOTE 13 - LEASE PURCHASE AGREEMENTS

Columbus Regional Airport Authority Lease - OSBA

On February 27, 2003, the District entered into a \$510,000 lease-purchase agreement with the Columbus Regional Airport Authority to provide additional funds to the construction budget approved by the Ohio School Facilities Commission to fund the construction of a new K-12 facility. During fiscal year 2013, the District made principal payments of \$12,000 and interest/fees payments of \$21,708 on the lease-purchase agreement and in fiscal year 2012, the District made principal payments of \$12,000 and interest/fees payments of \$22,250 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2013.

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 13,000	\$ 21,434	\$ 34,434
2015	14,000	20,818	34,818
2016	14,000	20,128	34,128
2017	15,000	19,430	34,430
2018	16,000	18,674	34,674
2019 - 2023	92,000	80,210	172,210
2024 - 2028	121,000	53,100	174,100
2029 - 2032	<u>122,000</u>	<u>16,934</u>	<u>138,934</u>
Total	<u>\$ 407,000</u>	<u>\$ 250,728</u>	<u>\$ 657,728</u>

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 13 - LEASE PURCHASE AGREEMENTS - (Continued)

Student Transportation Buses

On October 6, 2008, the District entered into a \$151,070 lease-purchase agreement with Blue Bird Financial Services to purchase two 84 passenger buses from Cardinal Bus Sales. During fiscal year 2012, the District made principal and interest payments of \$38,527 and \$1,653, respectively, which retired the lease.

On December 27, 2012, the District entered into a \$173,876 lease-purchase agreement with DeLage Landen Public Finance, LLC. to purchase two 84 passenger buses from Blue Bird Capital Services. During 2013, the District made a principal payment of \$45,357. Future principal and interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 41,617	\$ 3,740	\$ 45,357
2015	42,828	2,529	45,357
2016	44,074	1,283	45,357
Total	<u>\$ 128,519</u>	<u>\$ 7,552</u>	<u>\$ 136,071</u>

Apple Computers

On May 18, 2012, the District entered into a \$24,930 lease-purchase agreement with Apple, Inc./GE Capital to purchase computers/ipads. During fiscal year 2013, the District made principal and interest payments of \$8,310 and \$1,227, respectively. During fiscal year 2012, the District made principal and interest payments in the amount of \$8,310 and \$1,227, respectively. The District has one remaining payment in 2014 consisting of \$8,310 in principal and \$1,227 in interest.

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 14 - SET-ASIDES - (Continued)

	2013 Capital <u>Improvements</u>	2012 Capital <u>Improvements</u>
Set-aside balance June 30,	\$ 297,023	\$ 134,420
Current year set-aside requirement	96,355	93,981
Contributions in excess of the current fiscal year set-aside requirement	-	133,374
Current year qualifying expenditures	(406,519)	(49,598)
Excess qualified expenditures from prior years	-	-
Current year offsets	(15,333)	(15,154)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>-</u>
Total	<u>\$ (28,474)</u>	<u>\$ 297,023</u>
Balance carried forward to fiscal year	<u>\$ -</u>	<u>\$ 297,023</u>
Set-aside balance June 30,	<u>\$ -</u>	<u>\$ 297,023</u>

NOTE 15 - CONTINGENT LIABILITIES

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 are 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, 2013 and 2012.

B. Litigation

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

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, Wood, Lucas, and Van Wert counties, and the cities of St. Marys and Wapakoneta. 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.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. During fiscal years 2013 and 2012, the District paid \$20,087 and \$20,384, respectively, annually to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Millstream Career and Technology Center

The Millstream Career Cooperative (Millstream) is a distinct political subdivision of the State of Ohio established under Section 3313.90. Millstream operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to Michael Barnhart, Treasurer, Findlay City Schools, at 227 South West Street, Findlay, Ohio 45840-3377.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

Board of Education
Miller City-New Cleveland Local School District
200 N. Main Street, P.O. Box 38
Miller City, Ohio 45864

To the Members of the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards* the financial statements of the Miller City-New Cleveland Local School District, Putnam County, Ohio, as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated August 26, 2013, wherein we issued an adverse opinion on the Miller City-New Cleveland Local School District's financial statements because the Miller City-New Cleveland Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Miller City-New Cleveland Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Miller City-New Cleveland Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Miller City-New Cleveland Local District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of the Board of Education
Miller City-New Cleveland Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Miller City-New Cleveland Local School 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-MCNC-001.

Miller City-New Cleveland Local School District's Response to Finding

The Miller City-New Cleveland Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Miller City-New Cleveland Local School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Miller City-New Cleveland Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Miller City-New Cleveland Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
August 26, 2013

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-MCNC-001

Noncompliance Citation

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 (GAAP). However, as described in Note 2, the District prepares its financial statements on the basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, and fund equities, and disclosures that, while material, cannot be determined at this time.

The District may be fined and various other administrative remedies may be taken against the District. Also, the lack of complying with this requirement could potentially place federal funding in jeopardy.

We recommend that the District file their financial report in accordance with GAAP, or at a minimum the GASB 34 look-a-like requirements. The District may find it beneficial to consult with an accounting firm to assist them in compiling their financial statements in accordance with GAAP or the GASB 34 look-a-like requirements.

Client Response: The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (Cash Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format at this time.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2013 AND 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; <u>Finding no Longer Valid</u></u>
2011-MCNC-001	<u>Significant Deficiency - Financial Reporting</u> - During fiscal year June 30, 2011 and June 30, 2010, the District had adjustments that were necessary to properly report the District's financial activity.	Yes	N/A
2011-MCNC-002	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, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures which are material, however, the amounts cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.	No	Repeated as finding 2013-MCNC-001



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Independent Accountants' Report on Applying Agreed-Upon Procedure

Miller City-New Cleveland Local School District
Putnam County
200 N. Main Street, P.O. Box 38
Miller City, Ohio 45864

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board solely to assist the Board in evaluating whether the Miller City-New Cleveland Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 11, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
August 26, 2013



Dave Yost • Auditor of State

MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT

PUTNAM 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
NOVEMBER 26, 2013**