



Dave Yost • Auditor of State



**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY  
JUNE 30, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Miller City-New Cleveland Local School District  
Putnam County  
200 North Main Street  
P.O. Box 38  
Miller City, Ohio 45864-0038

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miller City-New Cleveland Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 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 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 the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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 Miller City-New Cleveland Local School District, Putnam County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018 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. 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 District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 18, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNDAUDITED**

The management's discussion and analysis of the Miller City-New Cleveland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- The total net cash position of the District increased \$685,153 or 19.11% from fiscal year 2016.
- General cash receipts accounted for \$4,961,860 or 78.33% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,372,961 or 21.67% of total governmental activities cash receipts.
- The District had \$5,649,668 in cash disbursements related to governmental activities; \$1,372,961 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements not restricted to specific programs) of \$4,961,860 were adequate to provide for these programs.
- The District's major fund is the General Fund. The General Fund had cash receipts of \$5,714,639 in 2017. The cash disbursements and other financing uses of the General Fund, totaled \$5,166,448 in 2017. The General Fund's cash balance increased \$548,191 or 17.31% from 2016 to 2017.

**Using this Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next 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 nonmajor funds presented in total in one column. In the case of the District, the major governmental fund is the General Fund.

**Reporting the District as a Whole**

***Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis***

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis answer the question, "How did we do financially during 2017?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change 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, mandated federal and state programs and other factors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and three agency funds.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

The table below provides a summary of the District's net cash position at June 30, 2017 and June 30, 2016.

	<b>Net Cash Position</b>	
	Governmental Activities 2017	Governmental Activities 2016
	<u>                    </u>	<u>                    </u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 4,270,054	\$ 3,584,901
	<u>                    </u>	<u>                    </u>
<u>Net Cash Position</u>		
Restricted	555,409	517,334
Unrestricted	<u>3,714,645</u>	<u>3,067,567</u>
Total net cash position	<u>\$ 4,270,054</u>	<u>\$ 3,584,901</u>

The total net cash position of the District increased \$685,153 which represents a 19.11% increase from fiscal year 2016. A portion of the District's net cash position, \$555,409 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$3,714,645 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for fiscal years 2017 and 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

**Change in Net Cash Position**

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 973,402	\$ 982,734
Operating grants and contributions	399,559	384,294
Total program cash receipts	<u>1,372,961</u>	<u>1,367,028</u>
General cash receipts:		
Property taxes	1,308,111	1,301,695
Income taxes	619,058	632,005
Payments in lieu of taxes	6,551	5,438
Unrestricted grants and entitlements	3,005,611	2,817,662
Energy loan issuance	-	311,882
Investment earnings	15,208	9,499
Other	<u>7,321</u>	<u>1,051</u>
Total general cash receipts	<u>4,961,860</u>	<u>5,079,232</u>

Unrestricted grants and contributions increased \$187,949 due to changes to the State Foundation funding formula, which benefitted the District. Energy loan issuance decreased \$311,882 due to no issuance for energy loans in fiscal year 2017. All other receipts remained consistent with the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 2,442,623	\$ 2,372,162
Special	378,475	335,015
Vocational	268,142	302,964
Support services:		
Pupil	158,479	127,349
Instructional staff	173,602	138,048
Board of education	61,386	63,253
Administration	339,252	324,274
Fiscal	7,842	20,258
Operations and maintenance	562,126	632,584
Pupil transportation	347,449	235,399
Central	2,767	3,750
Operation of non-instructional services:		
Food service operations	216,388	202,518
Other non-instructional services	54,332	53,251
Extracurricular activities	205,964	206,531
Facilities acquisition and construction	-	409,458
Debt service:		
Principal retirement	335,621	128,074
Interest and fiscal charges	95,220	44,668
Total cash disbursements	<u>5,649,668</u>	<u>5,599,556</u>
Change in net cash position	685,153	846,704
Net cash position at beginning of year	<u>3,584,901</u>	<u>2,738,197</u>
Net cash position at end of year	<u>\$ 4,270,054</u>	<u>\$ 3,584,901</u>

**Governmental Activities**

Net cash position of the District's governmental activities increased \$685,153; total governmental cash disbursements of \$5,649,668 were offset by program cash receipts of \$1,372,961 and general cash receipts of \$4,961,860. Program cash receipts supported 24.30% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements not restricted to specific programs. These cash receipt sources represent 77.87% of total governmental cash receipts. Real estate property is reappraised every six years.

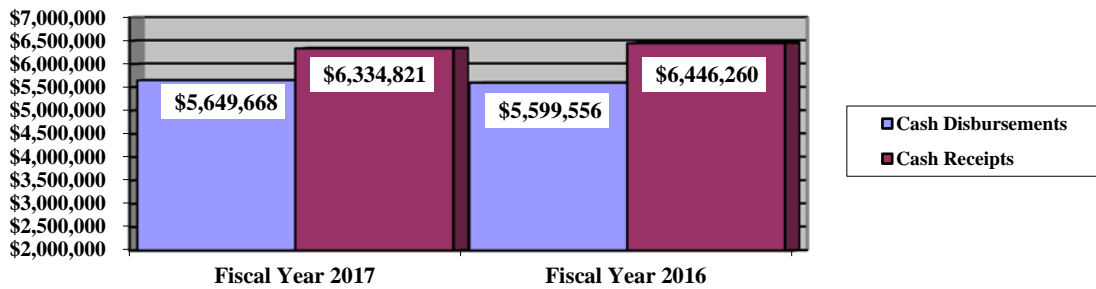
**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$3,089,240 or 54.68% of total governmental cash disbursements for fiscal year 2017.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2017 and 2016.

**Governmental Activities – Total Cash Receipts vs. Total Cash Disbursements**



The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services, which identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED  
(Continued)

**Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<b>Cash Disbursements:</b>				
Instruction:				
Regular	\$ 2,442,623	\$ 1,757,390	\$ 2,372,162	\$ 1,711,077
Special	378,475	154,710	335,015	116,256
Vocational	268,142	195,908	302,964	217,712
Support services:				
Pupil	158,479	158,479	127,349	127,349
Instructional staff	173,602	114,884	138,048	101,607
Board of education	61,386	61,386	63,253	63,253
Administration	339,252	339,252	324,274	324,274
Fiscal	7,842	7,842	20,258	20,258
Operations and maintenance	562,126	557,311	632,584	622,584
Pupil transportation	347,449	329,793	235,399	210,935
Central	2,767	2,767	3,750	3,750
Operation of non-instructional services:				
Food service operations	216,388	(6,213)	202,518	(21,160)
Other non instruction services	54,332	54,332	53,251	53,251
Extracurricular activities	205,964	118,025	206,531	99,182
Facilities acquisition and construction	-	-	409,458	409,458
Debt service:				
Principal retirement	335,621	335,621	128,074	128,074
Interest and fiscal charges	95,220	95,220	44,668	44,668
<b>Total</b>	<u><u>\$ 5,649,668</u></u>	<u><u>\$ 4,276,707</u></u>	<u><u>\$ 5,599,556</u></u>	<u><u>\$ 4,232,528</u></u>

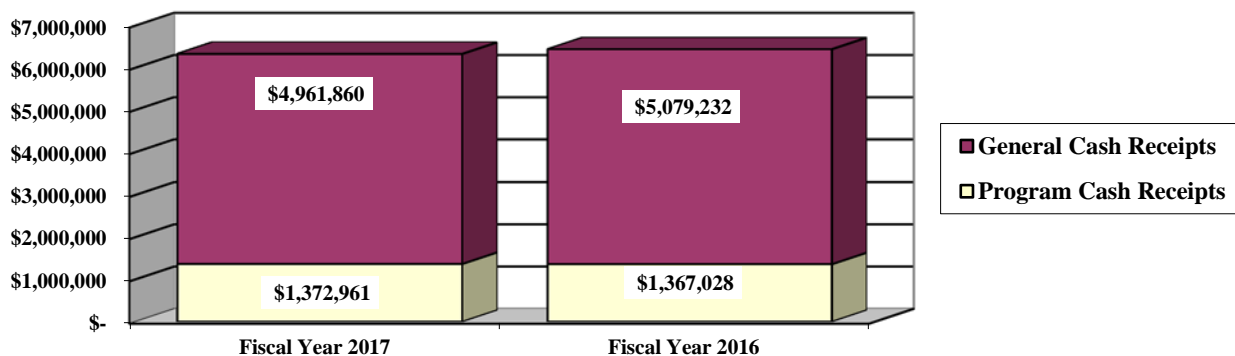
The dependence upon general cash receipts for governmental activities is apparent; with 75.70% of cash disbursements supported through taxes and other general cash receipts during 2017.

The graph below presents the District's governmental activities cash receipts for fiscal years 2017 and 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

**Governmental Activities – General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

At June 30, 2017, the District's governmental funds reported a combined cash fund balance of \$4,270,054, which is \$685,153 higher than last year's total of \$3,584,901. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2017</u>	Fund Cash Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
General fund	\$ 3,714,645	\$ 3,166,454	\$ 548,191
Other nonmajor governmental funds	<u>555,409</u>	<u>418,447</u>	<u>136,962</u>
Total	<u>\$ 4,270,054</u>	<u>\$ 3,584,901</u>	<u>\$ 685,153</u>

**General Fund**

The General Fund, the District's major fund, had cash receipts of \$5,714,639 in fiscal year 2017. The cash disbursements and other financing uses of the General Fund, totaled \$5,166,448 in fiscal year 2017. The General Fund's cash balance increased \$548,191 or 17.31% from fiscal year 2016 to fiscal year 2017.

The table that follows assists in illustrating the cash receipts of the General Fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

	2017 Amount	2016 Amount	Percentage Change
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 1,815,327	\$ 1,806,224	0.50 %
Payment in lieu of taxes	6,551	5,438	20.47 %
Tuition	648,274	630,747	2.78 %
Earnings on investments	15,208	9,499	60.10 %
Miscellaneous	61,218	78,709	(22.22) %
Intergovernmental	3,168,061	2,986,458	6.08 %
Total	<u>\$ 5,714,639</u>	<u>\$ 5,517,075</u>	3.58 %

The District's decrease in miscellaneous receipts was primarily due to a decrease in extracurricular receipts. The District's increase in intergovernmental receipts and tuition was due to an increase in the State Foundation funding. All other cash receipts remained comparable to fiscal year 2016.

The table that follows assists in illustrating the cash disbursements of the General Fund.

	2017 Amount	2016 Amount	Percentage Change
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 2,973,568	\$ 2,894,995	2.71 %
Support services	1,500,555	1,473,608	1.83 %
Operation of non instruction services	54,332	53,251	2.03 %
Extracurricular	123,125	112,772	9.18 %
Principal retirement	326,882	58,074	462.87 %
Interest and fiscal charges	19,446	26,331	(26.15) %
Total	<u>\$ 4,997,908</u>	<u>\$ 4,619,031</u>	8.20 %

Principal retirement disbursements increased 462.87% due to the payment of the energy conservation loan in fiscal year 2017. All other cash disbursements remained comparable to fiscal year 2016.

***Budgeting Highlights – General Fund***

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 2017, the District amended its General Fund budget several times. For the General Fund, final budgeted receipts and other financing sources were \$5,689,173 which was \$62,369 less than the original budgeted receipts of \$5,751,542. Actual receipts for fiscal year 2017 were \$5,706,067 which was \$16,894 more than the final budgeted receipts.

General Fund original budgeted disbursements of \$4,888,553 were increased to \$5,410,165 in the final budgeted disbursements. The actual disbursements for fiscal year 2017 totaled \$5,293,093, which was \$112,072 less than the final budgeted disbursements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

**Capital Assets and Debt Administration**

*Capital Assets*

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

*Debt Administration*

The District had the following long-term obligations outstanding at June 30, 2017 and 2016.

	Governmental Activities 2017	Governmental Activities 2016
General obligation refunding bonds	\$ 375,000	\$ 375,000
Capital appreciation bonds	-	8,739
Accreted interest	-	59,432
OSFC lease purchase	351,000	366,000
Energy loan	-	311,882
	\$ 726,000	\$ 1,121,053

**Current Financial Related Activities**

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The District has carefully managed its General Fund budgets in order to optimize the dollars available for educating the students it serves.

To ensure the five-year forecast remains strong, management will continue to budget within the confines of the revenue stream. The balance of revenues and expenses is perilous. State cuts to foundation funding, increased costs of salaries/benefits, and the elimination of promised reimbursements can quickly reduce cash reserves. The challenge for the District's management is to continue to provide the resources necessary to meet student needs and be able to stay within our budget for the year.

**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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Siebeneck, Treasurer, Miller City-New Cleveland Local School District, 200 North Main Street, P.O. Box 38, Miller City, Ohio 45864-0038.



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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$ 4,270,054</u>
<b>Net cash position:</b>	
Restricted for:	
Classroom facilities maintenance	49,081
Debt service	408,458
Student activities	14,591
Other purposes	83,279
Unrestricted	3,714,645
Total cash net position	<u>\$ 4,270,054</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Program Cash Receipts</b>			<b>Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position</b>
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 2,442,623	\$ 682,846	\$ 2,387	\$ (1,757,390)
Special	378,475	-	223,765	(154,710)
Vocational	268,142	-	72,234	(195,908)
Support services:				
Pupil	158,479	-	-	(158,479)
Instructional staff	173,602	-	58,718	(114,884)
Board of education	61,386	-	-	(61,386)
Administration	339,252	-	-	(339,252)
Fiscal	7,842	-	-	(7,842)
Operations and maintenance	562,126	4,815	-	(557,311)
Pupil transportation	347,449	8,912	8,744	(329,793)
Central	2,767	-	-	(2,767)
Operation of non-instructional services:				
Other non-instructional services	54,332	-	-	(54,332)
Food service operations	216,388	193,642	28,959	6,213
Extracurricular activities	205,964	83,187	4,752	(118,025)
Debt service:				
Principal retirement	335,621	-	-	(335,621)
Interest and fiscal charges	95,220	-	-	(95,220)
Total governmental activities	\$ 5,649,668	\$ 973,402	\$ 399,559	(4,276,707)
 <b>General cash receipts:</b>				
Property taxes levied for:				
General purposes				1,196,269
Debt service				95,470
Special revenue				16,372
Income taxes levied for:				
General purposes				619,058
Payments in lieu of taxes				6,551
Grants and entitlements not restricted				
to specific programs				3,005,611
Investment earnings				15,208
Miscellaneous				7,321
Total general cash receipts				4,961,860
Change in net cash position				685,153
<b>Net cash position at beginning of year</b>				3,584,901
<b>Net cash position at end of year</b>				\$ 4,270,054

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 3,714,645	\$ 555,409	\$ 4,270,054
<b>Fund cash balances:</b>			
Restricted:			
Debt service	\$ -	\$ 408,458	\$ 408,458
Classroom facilities maintenance	-	49,081	49,081
Food service operations	-	83,279	83,279
Extracurricular activities	-	14,591	14,591
Assigned:			
Student instruction	50,596	-	50,596
Student and staff support	88,990	-	88,990
School supplies	2,571	-	2,571
Unassigned	3,572,488	-	3,572,488
Total cash fund balances	\$ 3,714,645	\$ 555,409	\$ 4,270,054

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash receipts:</b>			
From local sources:			
Property taxes	\$ 1,196,269	\$ 111,842	\$ 1,308,111
Income taxes	619,058	-	619,058
Payment in lieu of taxes	6,551	-	6,551
Tuition	648,274	-	648,274
Transportation fees	8,912	-	8,912
Earnings on investments	15,208	15	15,223
Charges for services	-	193,642	193,642
Extracurricular	2,696	77,589	80,285
Classroom materials and fees	34,572	-	34,572
Rental income	4,815	-	4,815
Contributions and donations	2,902	3,858	6,760
Other local revenues	7,321	894	8,215
Intergovernmental - intermediate	-	2,387	2,387
Intergovernmental - state	3,157,860	43,739	3,201,599
Intergovernmental - federal	10,201	186,216	196,417
Total cash receipts	<u>5,714,639</u>	<u>620,182</u>	<u>6,334,821</u>
<b>Cash disbursements:</b>			
Current:			
Instruction:			
Regular	2,440,236	2,387	2,442,623
Special	265,190	113,285	378,475
Vocational	268,142	-	268,142
Support services:			
Pupil	158,479	-	158,479
Instructional staff	114,884	58,718	173,602
Board of education	58,541	2,845	61,386
Administration	339,252	-	339,252
Fiscal	7,842	-	7,842
Operations and maintenance	471,341	90,785	562,126
Pupil transportation	347,449	-	347,449
Central	2,767	-	2,767
Operation of non-instructional services:			
Other operation of non-instructional	54,332	-	54,332
Food service operations	-	216,388	216,388
Extracurricular activities	123,125	82,839	205,964
Debt service:			
Principal retirement	326,882	8,739	335,621
Interest and fiscal charges	19,446	75,774	95,220
Total cash disbursements	<u>4,997,908</u>	<u>651,760</u>	<u>5,649,668</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>716,731</u>	<u>(31,578)</u>	<u>685,153</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	168,540	168,540
Transfers (out)	(168,540)	-	(168,540)
Total other financing sources (uses)	<u>(168,540)</u>	<u>168,540</u>	<u>-</u>
Net change in fund cash balances	548,191	136,962	685,153
<b>Fund cash balances at beginning of year</b>	<u>3,166,454</u>	<u>418,447</u>	<u>3,584,901</u>
<b>Fund cash balances at end of year</b>	<u>\$ 3,714,645</u>	<u>\$ 555,409</u>	<u>\$ 4,270,054</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Cash receipts:</b>				
From local sources:				
Property taxes	\$ 1,183,827	\$ 1,160,723	\$ 1,196,269	\$ 35,546
Income taxes	708,965	695,205	619,058	(76,147)
Payment in lieu of taxes	6,551	6,551	6,551	-
Tuition	644,649	632,137	648,274	16,137
Transportation fees	13,902	13,632	8,912	(4,720)
Earnings on investments	10,541	10,336	15,208	4,872
Extracurricular	11,891	11,660	1,350	(10,310)
Classroom materials and fees	30,943	30,342	30,770	428
Rental income	11,218	11,000	4,815	(6,185)
Contributions and donations	610	598	-	(598)
Other local revenues	7,278	7,137	6,799	(338)
Intergovernmental - state	3,099,492	3,088,365	3,157,860	69,495
Intergovernmental - federal	9,675	9,487	10,201	714
<b>Total cash receipts</b>	<u>5,739,542</u>	<u>5,677,173</u>	<u>5,706,067</u>	<u>28,894</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular	2,410,500	2,500,500	2,456,824	43,676
Special	244,182	244,182	268,175	(23,993)
Vocational	355,138	355,138	295,476	59,662
Support services:				
Pupil	80,196	80,196	160,102	(79,906)
Instructional staff	96,807	96,807	119,969	(23,162)
Board of education	69,212	69,212	63,233	5,979
Administration	352,997	352,997	345,201	7,796
Fiscal	23,730	23,730	10,402	13,328
Operations and maintenance	547,802	547,802	496,114	51,688
Pupil transportation	297,757	417,487	388,643	28,844
Central	4,124	4,124	2,767	1,357
Operation of non-instructional services	44,007	44,007	54,332	(10,325)
Extracurricular activities	111,622	111,622	116,987	(5,365)
Debt service:				
Principal	63,882	375,764	326,882	48,882
Interest and fiscal charges	18,057	18,057	19,446	(1,389)
<b>Total cash disbursements</b>	<u>4,720,013</u>	<u>5,241,625</u>	<u>5,124,553</u>	<u>117,072</u>
Excess of cash receipts over cash dsbursements	<u>1,019,529</u>	<u>435,548</u>	<u>581,514</u>	<u>145,966</u>
<b>Other financing sources (uses):</b>				
Transfers in	12,000	12,000	-	(12,000)
Transfers (out)	(168,540)	(168,540)	(168,540)	-
<b>Total other financing sources (uses)</b>	<u>(156,540)</u>	<u>(156,540)</u>	<u>(168,540)</u>	<u>(12,000)</u>
Net change in fund cash balance	862,989	279,008	412,974	133,966
<b>Fund cash balance at beginning of year</b>	2,926,969	2,926,969	2,926,969	-
<b>Prior year encumbrances appropriated</b>	230,363	230,363	230,363	-
<b>Fund cash balance at end of year</b>	<u>\$ 4,020,321</u>	<u>\$ 3,436,340</u>	<u>\$ 3,570,306</u>	<u>\$ 133,966</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 150,449	\$ 75,071
<b>Net cash position:</b>		
Held in trust for scholarships	150,449	-
Held for student activities	-	75,071
Total net cash position	\$ 150,449	\$ 75,071

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$ 357
Gifts and contributions	7,855
Total additions	8,212
 <b>Deductions:</b>	
Scholarships awarded	6,150
Change in net cash position	2,062
<b>Net cash position at beginning of year</b>	148,387
<b>Net cash position at end of year</b>	\$ 150,449

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 486 students in grades K through 12 and various community groups.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**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 YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The District participates in four 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. These organizations are:

*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 a jointly governed organization among fifty-four member districts/educational service centers. 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. Each of these schools support NOACSC based upon a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating district/educational service center and the superintendent from the fiscal agent. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts/educational service centers within each county, plus one representative from the fiscal agent. During fiscal year 2017, the District paid \$27,121 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 Cooperative Career Center

The Millstream Cooperative Career Center (the Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center 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 School 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 School District, at 227 South West Street, Findlay, Ohio 45840-3377.

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 a twenty-five area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, tow 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 NOERC \$200 for membership dues during fiscal year 2017. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio, 44805.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at [www.sstr1.org](http://www.sstr1.org).

*PUBLIC ENTITY RISK POOLS*

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool (see Note 8.A.). SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744. The District paid \$47,228 to SORSA during fiscal year 2017 for these services. SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High Street, Columbus, Ohio, 43235.

Putnam County School Insurance Group

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool (see Note 8.B.). The Group was created to enable its eleven members (political subdivisions) to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Group provides health and dental benefits to employees of its members.

Medical Mutual of Ohio provides claims review and processing.

The District contributed a total of \$521,541 to the Putnam County School Insurance Program for medical and dental insurance for its employees during fiscal year 2017. Financial information for the Putnam County School Insurance Program can be obtained from Jan Osborn, Superintendent of Putnam Educational Service Center, 124 Putnam Parkway, Ottawa, Ohio 45875.

OSBA/OASBO Workers' Compensation Group Retrospective Rating Plan

For fiscal year 2017, the District participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (the "Plan"), an insurance purchasing pool, sponsored by both the Ohio School Boards Association (OSBA) and Ohio Association of School Business Officials (OASBO) (see Note 8.C.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

A participant will then either receive money from or be required to contribute to the “equity pooling fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan’s selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. The District paid \$335 to CompManagement, Inc. during fiscal year 2017 for these services.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. There are three categories of funds: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

The following is the District’s major governmental fund:

*General Fund* - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for specific revenue sources that are (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects.

*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. The District has no proprietary funds.

*FIDUCIARY FUND TYPES*

Fiduciary fund reporting focuses on net position and changes in net position. 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 funds account for rotary, student activities, and OSHAA tournament monies.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**C. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide Statement of Activities – Cash Basis presents a comparison between direct cash disbursements and program cash receipts for each function or program of the governmental activities of the District. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program cash receipts are presented as general cash receipts of the District.

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

**D. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenue (such as accounts receivable and revenue 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.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an estimated timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate 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 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. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present the General Fund budgetary statement comparison at the fund and function level. Budgetary allocations at the fund level are made by the Treasurer.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

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

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During 2017, the District invested in nonnegotiable certificates of deposit. Investments are reported at cost.

Following Ohio 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 2017 amounted to \$15,208, which includes \$2,582 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2017, the District had no investments.

An analysis of the District's deposits and investments at year-end is provided in Note 4.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

**I. 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt issues are reported as receipts when cash is received and principal and interest payments are reported as disbursements when paid.

**L. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis.

**M. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is 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.

*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

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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 neither transaction for fiscal year 2017.

**P. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 – ACCOUNTABILITY & COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 3 – ACCOUNTABILITY & COMPLIANCE – (Continued)**

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position / 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.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 Governing 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.



**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)**

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 notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 items (1 or 2) above and repurchase agreements secured by such obligations, provided that investments in such securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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. Payment for invest-

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)**

ments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation.

**A. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$4,495,574. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$2,264,710 of the District’s bank balance of \$4,536,035 was exposed to custodial risk as discussed below, while \$1,500,303 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2017, the District had no investments.

**C. Reconciliation of Cash and Investments to the Statement of Net Position – Cash Basis**

The following is a reconciliation of cash and investments reported in the note above to cash as reported on the statement of net position as of June 30, 2017:

<u>Cash and Investments per Note</u>	<u>Value</u>
Carrying amount of deposits	\$ 4,495,574
<u>Cash and Cash Equivalents per Statement of Net Position - Cash Basis</u>	<u>Carrying Value</u>
Governmental Activities	\$ 4,270,054
Private Purpose Trust Funds	150,449
Agency Funds	75,071
Total	\$ 4,495,574

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding year end encumbrances (budget basis) are treated as disbursements (budget) rather than an assignment of fund balance (cash); and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 412,974
Funds budgeted elsewhere **	(1,344)
Adjustment for encumbrances	136,561
Cash basis	\$ 548,191

\*\* As part of Governmental Accounting Standards Board No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate Special Revenue funds are considered part of the General Fund on a cash basis. This includes Uniform School Supplies Fund, Public School Support Fund, and Unclaimed Money Fund.

**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 and public utility property. Real property tax receipts received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2015, 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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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.

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, 2017, are available to finance fiscal year 2017 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.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 6 – PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 62,737,710	96.73	\$ 63,553,050	96.94
Public utility personal	<u>2,123,530</u>	<u>3.27</u>	<u>2,005,210</u>	<u>3.06</u>
Total	<u>\$ 64,861,240</u>	<u>100.00</u>	<u>\$ 65,558,260</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.30		\$33.00	

**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 year 2017, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 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 \$15,000,000. An additional excess liability policy of \$15,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$32,648,876 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.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 8 – RISK MANAGEMENT – (Continued)**

**C. Workers' Compensation**

For fiscal year, 2017, the District participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (the GRP, an insurance purchasing pool, sponsored by both the Ohio School Boards Association and Ohio Association of School Business Officials. The GRP is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower associated claims costs. It is similar in concept to Group Rating, as employers are evaluated as if the group was one big organization. However, with this program, organizations continue to pay their own individual premium but have the opportunity to receive retrospective premium adjustments (refunds or assessments based on the performance of the group) at the end of each of the three evaluation periods performed by the Ohio Bureau of Workers' Compensation (BWC).

Three evaluations are performed by BWC at 12, 24, and 36 months after the end of the policy year. At the end of each period, BWC looks at the expected losses of the group and compares to the actual losses to calculate the group's retrospective premium. If the premium calculated is less than the group's total standard premium, the participants receive a refund for that period. However, if the premium is greater, an assessment will be levied by BWC, but each group limits the maximum assessment by selecting a premium cap which can be factored into the District's budget.

**NOTE 9 – DEFINED PENSION BENEFIT PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The District’s contractually required contribution to SERS was \$73,647 for fiscal year 2017.

***Plan Description – State Teachers Retirement System of Ohio (STRS Ohio)***

Plan Description – District licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio’s fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$274,577 for fiscal year 2017.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

*Net Pension Liability*

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportion of the net pension liability prior measurement date	0.01702360%	0.01787317%	
Proportion of the net pension liability current measurement date	<u>0.01646480%</u>	<u>0.01781185%</u>	
Change in proportionate share	<u>-0.00055880%</u>	<u>-0.00006132%</u>	
Proportionate share of the net pension liability	\$ 1,205,071	\$ 5,962,163	\$ 7,167,234

*Actuarial Assumptions – SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)



**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** – The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute.

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

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease █ (6.50%)	Current █ Discount Rate (7.50%)	1% Increase █ (8.50%)
District's proportionate share of the net pension liability	\$ 1,595,439	\$ 1,205,071	\$ 878,317

**Actuarial Assumptions – STRS Ohio**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,923,230	\$ 5,962,163	\$ 4,307,887

**Changes Between Measurement Date and Report Date** – In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45 percent from 7.75 percent and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care, including surcharge, for the fiscal years ended June 30, 2017, 2016, and 2015 were \$7,877, \$8,319, and \$7,453, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

**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](http://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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 11 – DEBT**

Debt outstanding at June 30, 2017 was as follows:

<u>Description</u>	<u>Balance 06/30/16</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance 06/30/17</u>	<u>Amount Due in One Year</u>
2010 School Facilities Construction and Improvement Bonds Advance Refunding	\$ 375,000	\$ -	\$ -	\$ 375,000	\$ 65,000
2010 Capital Appreciation Bonds	8,739	-	(8,739)	-	-
Accreted Interest	59,432	1,829	(61,261)	-	-
OSFC Lease Purchase	366,000	-	(15,000)	351,000	16,000
Energy Loan	311,882	-	(311,882)	-	-
Total Debt Obligations	<u>\$ 1,121,053</u>	<u>\$ 1,829</u>	<u>\$ (396,882)</u>	<u>\$ 726,000</u>	<u>\$ 81,000</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 a disbursement in the Debt Service Bond Retirement 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 receipts from this levy have been reported in the Special Revenue Classroom Facilities Maintenance Fund.

Series 2010 Advance Refunding General Obligation

On July 27, 2010, the District issued \$773,739 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 \$773,739 in School Facilities Construction and Improvement Advance Refunding Bonds. Of the \$773,739 bonds issued, \$455,000 are serial bonds with interest rates ranging from 1.00 percent to 3.25 percent and a final maturity December 1, 2017, \$310,000 are term bonds with an interest rate of 4.00 percent maturing December 1, 2022, and \$8,739 are capital appreciation bonds with a maturity value of \$70,000 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  
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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 11 – 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		
	Principal	Interest	Total
2018	\$ 65,000	\$ 13,456	\$ 78,456
2019	65,000	11,100	76,100
2020	65,000	8,500	73,500
2021	60,000	6,000	66,000
2022	60,000	3,600	63,600
2023	60,000	1,200	61,200
Total	<u>\$ 375,000</u>	<u>\$ 43,856</u>	<u>\$ 418,856</u>

Energy Loan

On April 7, 2016, the District entered into a \$311,882 loan agreement with the Ohio Development Services Agency for upgrades for controls to optimize sequences, replacement and repair of ventilators, and parking lot lighting upgrades. The loan was completed and paid in full in 2017.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations as of June 30, 2017, are a voted debt margin of \$5,922,923 and an unvoted debt margin of \$65,439. The District is allowed to exceed its debt margin under Ohio Revised Code Section 133.06(I).

**NOTE 12 – 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 2017, the District made principal payments of \$15,000 and interest/fees payments of \$19,052 on the lease-purchase agreement.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 12 – LEASE PURCHASE AGREEMENTS – (Continued)**

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2017.

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 16,000	\$ 18,266	\$ 34,266
2019	17,000	17,428	34,428
2020	18,000	16,535	34,535
2021	18,000	15,606	33,606
2022	19,000	14,640	33,640
2023 - 2027	114,000	56,147	170,147
2028 - 2032	149,000	20,959	169,959
Total	<u>\$ 351,000</u>	<u>\$ 159,581</u>	<u>\$ 510,581</u>

**NOTE 13 – 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. Disbursements 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.

	Capital Improvements
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	84,438
Current year qualifying disbursements	<u>(84,438)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 14 - CONTINGENT LIABILITIES**

**A. Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2017.

**B. Litigation**

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

**C. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

**NOTE 15 – INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund statements:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 168,540

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.



**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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The management's discussion and analysis of the Miller City-New Cleveland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The total net cash position of the District increased \$846,704 or 30.92% from fiscal year 2015.
- General cash receipts accounted for \$5,079,232 or 78.79% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,367,028 or 21.21% of total governmental activities cash receipts.
- The District had \$5,599,556 in cash disbursements related to governmental activities; \$1,367,028 these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements not restricted to specific programs) of \$5,079,232 were adequate to provide for these programs.
- The District's major funds are the General Fund and the Bond Retirement Fund. The General Fund had cash receipts of \$5,517,075 in 2016. The cash disbursements of the General Fund, totaled \$4,619,031 in 2016. The General Fund's cash balance increased \$898,044 or 39.59% from 2015 to 2016.
- The Bond Retirement Fund had cash receipts of \$126,240 in 2016. The cash disbursements of the Bond Retirement Fund, totaled \$88,337 in 2016. The Bond Retirement Fund's cash balance increased \$37,903 or 10.83% from 2015 to 2016.

**Using this Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next 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 nonmajor funds presented in total in one column. In the case of the District, the major governmental funds are the General Fund and the Bond Retirement Fund.

**Reporting the District as a Whole**

***Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis***

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis answer the question, "How did we do financially during 2016?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Bond Retirement Fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and three agency funds.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

**The District as a Whole**

The table below provides a summary of the District's net cash position at June 30, 2016 and June 30, 2015.

	<b>Net Cash Position</b>	
	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,584,901	\$ 2,738,197
<u>Net Cash Position</u>		
Restricted	517,334	471,228
Unrestricted	<u>3,067,567</u>	<u>2,266,969</u>
Total net cash position	<u>\$ 3,584,901</u>	<u>\$ 2,738,197</u>

The total net cash position of the District increased \$846,704 which represents a 30.92% increase from fiscal year 2015. A portion of the District's net cash position, \$517,334, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$3,067,567 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for fiscal years 2016 and 2015.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

**Change in Net Cash Position**

	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 982,734	\$ 873,916
Operating grants and contributions	384,294	466,714
Total program cash receipts	<u>1,367,028</u>	<u>1,340,630</u>
General cash receipts:		
Property taxes	1,301,695	1,184,174
Income taxes	632,005	634,523
Payments in lieu of taxes	5,438	6,901
Unrestricted grants and entitlements	2,817,662	2,131,283
Energy loan issuance	311,882	-
Investment earnings	9,499	3,770
Other	1,051	202
Total general cash receipts	<u>5,079,232</u>	<u>3,960,853</u>
Total cash receipts	<u>\$ 6,446,260</u>	<u>\$ 5,301,483</u>

Property tax cash receipts increased \$117,521 due to increases in valuation. Unrestricted grants and contributions increased \$686,379 due to changes to the State Foundation funding formula, which benefitted the District. All other receipts remained consistent with the prior fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

**Change in Net Cash Position**

	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 2,372,162	\$ 2,262,859
Special	335,015	352,296
Vocational	302,964	312,251
Support services:		
Pupil	127,349	161,922
Instructional staff	138,048	195,358
Board of education	63,253	61,906
Administration	324,274	300,124
Fiscal	20,258	5,283
Operations and maintenance	632,584	504,993
Pupil transportation	235,399	276,253
Central	3,750	890
Operation of non-instructional services:		
Food service operations	202,518	183,849
Other non-instructional services	53,251	53,100
Extracurricular activities	206,531	221,988
Facilities acquisition and construction	409,458	-
Debt service:		
Principal retirement	128,074	131,828
Interest and fiscal charges	44,668	43,591
	<u>5,599,556</u>	<u>5,068,491</u>
Total cash disbursements		
Change in net cash position	846,704	232,992
Net cash position at beginning of year	<u>2,738,197</u>	<u>2,505,205</u>
Net cash position at end of year	<u>\$ 3,584,901</u>	<u>\$ 2,738,197</u>

**Governmental Activities**

Net cash position of the District's governmental activities increased \$846,704; total governmental cash disbursements of \$5,599,556 were offset by program cash receipts of \$1,367,028 and general cash receipts of \$5,079,232. Program cash receipts supported 24.41% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These cash receipt sources represent 73.71% of total governmental cash receipts. Real estate property is reappraised every six years.

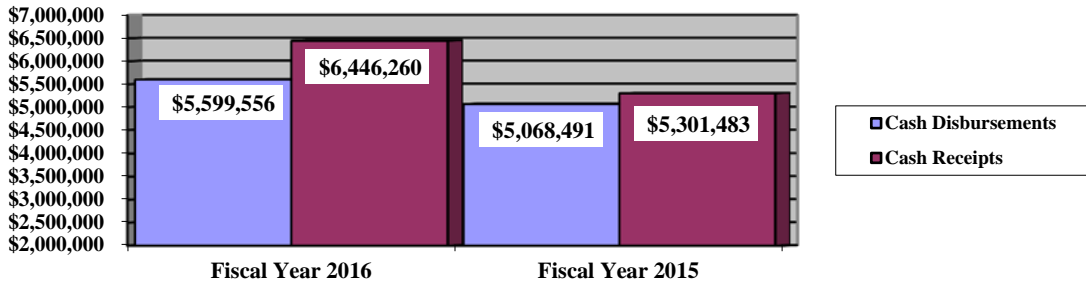
**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$3,010,141 or 53.76% of total governmental cash disbursements for fiscal year 2016.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2016 and 2015.

**Governmental Activities – Total Cash Receipts vs. Total Cash Disbursements**



The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services, which identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

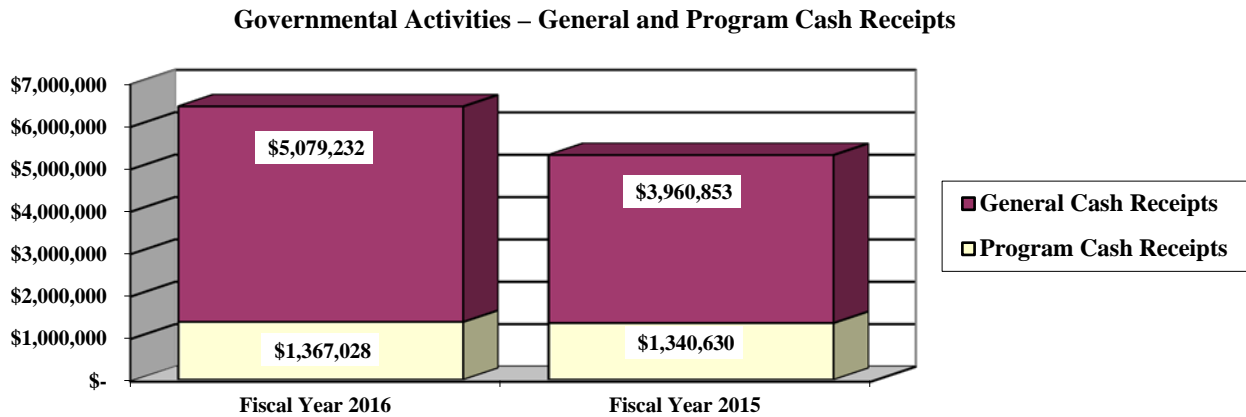
**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

	<b>Governmental Activities</b>			
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Cash Disbursements:</b>				
Instruction:				
Regular	\$ 2,372,162	\$ 1,711,077	\$ 2,262,859	\$ 1,669,555
Special	335,015	116,256	352,296	102,274
Vocational	302,964	217,712	312,251	193,726
Support services:				
Pupil	127,349	127,349	161,922	161,922
Instructional staff	138,048	101,607	195,358	144,633
Board of education	63,253	63,253	61,906	61,906
Administration	324,274	324,274	300,124	300,124
Fiscal	20,258	20,258	5,283	5,283
Operations and maintenance	632,584	622,584	504,993	487,478
Pupil transportation	235,399	210,935	276,253	247,376
Central	3,750	3,750	890	890
Operation of non-instructional services:				
Food service operations	202,518	(21,160)	183,849	(14,938)
Other non instruction services	53,251	53,251	53,100	53,100
Extracurricular activities	206,531	99,182	221,988	139,113
Facilities acquisition and construction	409,458	409,458	-	-
Debt service:				
Principal retirement	128,074	128,074	131,828	131,828
Interest and fiscal charges	44,668	44,668	43,591	43,591
<b>Total</b>	<b>\$ 5,599,556</b>	<b>\$ 4,232,528</b>	<b>\$ 5,068,491</b>	<b>\$ 3,727,861</b>

The dependence upon general cash receipts for governmental activities is apparent; with 75.59% of cash disbursements supported through taxes and other general cash receipts during 2016.

The graph below presents the District's governmental activities cash receipts for fiscal years 2016 and 2015.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

**Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

At June 30, 2016, the District's governmental funds reported a combined cash fund balance of \$3,584,901, which is \$846,704 higher than last year's total of \$2,738,197. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015, for all major and nonmajor governmental funds.

	Fund Cash Balance June 30, 2016	Fund Cash Balance June 30, 2015	Increase (Decrease)
General fund	\$ 3,166,454	\$ 2,268,410	\$ 898,044
Bond retirement fund	387,939	350,036	37,903
Other nonmajor governmental funds	30,508	119,751	(89,243)
<b>Total</b>	<b>\$ 3,584,901</b>	<b>\$ 2,738,197</b>	<b>\$ 846,704</b>

**General Fund**

The General Fund, the District's major fund, had cash receipts of \$5,517,075 in fiscal year 2016. The cash disbursements of the General Fund totaled \$4,619,031 in fiscal year 2016. The General Fund's cash balance increased \$898,044 or 39.59% from fiscal year 2015 to fiscal year 2016.

**Bond Retirement Fund**

The Bond Retirement Fund had receipts of \$126,240 in 2016. The cash disbursements of the Bond Retirement Fund totaled \$88,337 in 2016. The Bond Retirement Fund's cash balance increased \$37,903 or 10.83% from fiscal year 2015 to fiscal year 2016.

The table that follows assists in illustrating the cash receipts of the General Fund.

	2016 Amount	2015 Amount	Percentage Change
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 1,806,224	\$ 1,689,796	6.89 %
Payment in lieu of taxes	5,438	6,901	(21.20) %
Tuition	630,747	564,398	11.76 %
Earnings on investments	9,499	3,770	151.96 %
Miscellaneous	78,709	73,806	6.64 %
Intergovernmental	2,986,458	2,360,534	26.52 %
<b>Total</b>	<b>\$ 5,517,075</b>	<b>\$ 4,699,205</b>	<b>17.40 %</b>



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

The District's increase in taxes was due to increases in property taxes as a result of increased valuations. The District's increase in intergovernmental receipts was due to an increase in the State Foundation funding. All other cash receipts remained comparable to fiscal year 2015.

The table that follows assists in illustrating the cash disbursements of the General Fund.

	2016 Amount	2015 Amount	Percentage Change
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 2,894,995	\$ 2,808,764	3.07 %
Support services	1,473,608	1,426,201	3.32 %
Operation of non instruction services	53,251	53,100	0.28 %
Extracurricular	112,772	130,361	(13.49) %
Principal retirement	58,074	56,828	2.19 %
Interest and fiscal charges	26,331	23,428	12.39 %
Total	<u>\$ 4,619,031</u>	<u>\$ 4,498,682</u>	2.68 %

Extracurricular disbursements decreased 13.49% due to decreases in sports oriented activities. All other cash disbursements remained comparable to fiscal year 2015.

***Budgeting Highlights – General Fund***

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 2016, the District amended its General Fund budget several times. For the General Fund, final budgeted receipts and other financing sources were \$5,464,202, which was \$517,897 more than the original budgeted receipts of \$4,946,305. Actual receipts for fiscal 2016 were \$5,510,709 which was \$46,507 more than the final budgeted receipts.

General Fund original budgeted disbursements of \$4,684,031 were increased to \$5,159,031 in the final budgeted disbursements. The actual disbursements for fiscal year 2016 totaled \$4,845,009, which was \$314,022 less than the final budgeted disbursements.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2016 and 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED  
(Continued)

	Governmental Activities 2016	Governmental Activities 2015
General obligation refunding bonds	\$ 375,000	\$ 445,000
Capital appreciation bonds	8,739	8,739
Accreted interest	59,432	42,840
OSFC lease purchase	366,000	380,000
Capital lease	-	44,074
Energy loan	311,882	-
Total long-term obligations	\$ 1,121,053	\$ 920,653

**Current Financial Related Activities**

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The District has carefully managed its General Fund budgets in order to optimize the dollars available for educating the students it serves.

To ensure the five-year forecast remains strong, management will continue to budget within the confines of the revenue stream. The balance of revenues and expenses is perilous. State cuts to foundation funding, increased costs of salaries/benefits, and the elimination of promised reimbursements can quickly reduce cash reserves. The challenge for the District's management is to continue to provide the resources necessary to meet student needs and be able to stay within our budget for the year.

**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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Siebeneck, Treasurer, Miller City-New Cleveland Local School District, 200 North Main Street, P.O. Box 38, Miller City, Ohio 45864-0038.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$ 3,584,901</u>
<b>Net cash position:</b>	
Restricted for:	
Classroom facilities maintenance	37,240
Debt service	387,939
Student activities	15,089
Other purposes	77,066
Unrestricted	<u>3,067,567</u>
Total cash net position	<u>\$ 3,584,901</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 2,372,162	\$ 661,085	\$ -	\$ (1,711,077)
Special	335,015	-	218,759	(116,256)
Vocational	302,964	-	85,252	(217,712)
Support services:				
Pupil	127,349	-	-	(127,349)
Instructional staff	138,048	-	36,441	(101,607)
Board of education	63,253	-	-	(63,253)
Administration	324,274	-	-	(324,274)
Fiscal	20,258	-	-	(20,258)
Operations and maintenance	632,584	10,000	-	(622,584)
Pupil transportation	235,399	13,716	10,748	(210,935)
Central	3,750	-	-	(3,750)
Operation of non-instructional services:				
Other non-instructional services	53,251	-	-	(53,251)
Food service operations	202,518	192,209	31,469	21,160
Extracurricular activities	206,531	105,724	1,625	(99,182)
Facilities acquisition and construction	409,458	-	-	(409,458)
Debt service:				
Principal retirement	128,074	-	-	(128,074)
Interest and fiscal charges	44,668	-	-	(44,668)
<b>Total governmental activities</b>	<b>\$ 5,599,556</b>	<b>\$ 982,734</b>	<b>\$ 384,294</b>	<b>(4,232,528)</b>

**General cash receipts:**

Property taxes levied for:	
General purposes	1,174,219
Debt service	111,460
Special revenue	16,016
Income taxes levied for:	
General purposes	632,005
Payments in lieu of taxes	5,438
Grants and entitlements not restricted to specific programs	2,817,662
Energy loan issuance	311,882
Investment earnings	9,499
Miscellaneous	1,051
<b>Total general cash receipts</b>	<b>5,079,232</b>
Change in net cash position	846,704
<b>Net cash position at beginning of year</b>	<b>2,738,197</b>
<b>Net cash position at end of year</b>	<b>\$ 3,584,901</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 3,166,454	\$ 387,939	\$ 30,508	\$ 3,584,901
<b>Fund cash balances:</b>				
Restricted:				
Debt service	\$ -	\$ 387,939	\$ -	\$ 387,939
Classroom facilities maintenance	-	-	37,240	37,240
Food service operations	-	-	77,066	77,066
Extracurricular activities	-	-	15,089	15,089
Assigned:				
Student instruction	66,284	-	-	66,284
Student and staff support	168,892	-	-	168,892
Extracurricular activities	102	-	-	102
School supplies	2,571	-	-	2,571
Unassigned (deficit)	2,928,605	-	(98,887)	2,829,718
Total cash fund balances	<u>\$ 3,166,454</u>	<u>\$ 387,939</u>	<u>\$ 30,508</u>	<u>\$ 3,584,901</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes	\$ 1,174,219	\$ 111,460	\$ 16,016	\$ 1,301,695
Income taxes	632,005	-	-	632,005
Payment in lieu of taxes	5,438	-	-	5,438
Tuition	630,747	-	-	630,747
Transportation fees	13,716	-	-	13,716
Earnings on investments	9,499	-	25	9,524
Charges for services	-	-	192,209	192,209
Extracurricular	19,450	-	82,120	101,570
Classroom materials and fees	30,338	-	-	30,338
Rental income	10,000	-	-	10,000
Contributions and donations	4,154	-	715	4,869
Other local revenues	1,051	-	980	2,031
Intergovernmental - state	2,976,956	14,780	24,921	3,016,657
Intergovernmental - federal	9,502	-	174,077	183,579
Total cash receipts	<u>5,517,075</u>	<u>126,240</u>	<u>491,063</u>	<u>6,134,378</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular	2,372,160	-	2	2,372,162
Special	219,871	-	115,144	335,015
Vocational	302,964	-	-	302,964
Support services:				
Pupil	127,349	-	-	127,349
Instructional staff	101,607	-	36,441	138,048
Board of education	62,817	-	436	63,253
Administration	324,274	-	-	324,274
Fiscal	20,258	-	-	20,258
Operations and maintenance	598,154	-	34,430	632,584
Pupil transportation	235,399	-	-	235,399
Central	3,750	-	-	3,750
Operation of non-instructional services:				
Other operation of non-instructional	53,251	-	-	53,251
Food service operations	-	-	202,518	202,518
Extracurricular activities	112,772	-	93,759	206,531
Facilities acquisition and construction	-	-	409,458	409,458
Debt service:				
Principal retirement	58,074	70,000	-	128,074
Interest and fiscal charges	26,331	18,337	-	44,668
Total cash disbursements	<u>4,619,031</u>	<u>88,337</u>	<u>892,188</u>	<u>5,599,556</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>898,044</u>	<u>37,903</u>	<u>(401,125)</u>	<u>534,822</u>
<b>Other financing sources:</b>				
Loan proceeds	-	-	311,882	311,882
Net change in fund cash balances	898,044	37,903	(89,243)	846,704
<b>Fund cash balances at beginning of year</b>	<u>2,268,410</u>	<u>350,036</u>	<u>119,751</u>	<u>2,738,197</u>
<b>Fund cash balances at end of year</b>	<u>\$ 3,166,454</u>	<u>\$ 387,939</u>	<u>\$ 30,508</u>	<u>\$ 3,584,901</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Cash receipts:</b>				
From local sources:				
Property taxes	\$ 1,139,695	\$ 1,175,059	\$ 1,174,220	\$ (839)
Income taxes	685,285	685,157	632,005	(53,152)
Payment in lieu of taxes	7,454	7,454	5,438	(2,016)
Tuition	585,027	584,917	630,746	45,829
Transportation fees	11,383	11,381	13,716	2,335
Earnings on investments	4,203	4,202	9,499	5,297
Extracurricular	9,245	10,598	19,450	8,852
Classroom materials and fees	28,410	28,405	27,583	(822)
Rental income	10,816	10,814	10,000	(814)
Contributions and donations	-	-	544	544
Other local revenues	217	216	1,050	834
Intergovernmental - state	2,452,779	2,802,252	2,976,956	174,704
Intergovernmental - federal	11,791	11,789	9,502	(2,287)
<b>Total cash receipts</b>	<u>4,946,305</u>	<u>5,332,244</u>	<u>5,510,709</u>	<u>178,465</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular	2,381,064	2,456,064	2,389,366	66,698
Special	170,321	370,321	219,871	150,450
Vocational	342,674	342,674	350,056	(7,382)
Support services:				
Pupil	172,689	172,689	128,164	44,525
Instructional staff	168,933	168,933	104,397	64,536
Board of education	67,360	67,360	65,471	1,889
Administration	321,539	321,539	334,183	(12,644)
Fiscal	5,708	5,708	21,731	(16,023)
Operations and maintenance	527,973	727,973	691,427	36,546
Pupil transportation	266,078	266,078	288,461	(22,383)
Central	961	961	3,750	(2,789)
Operation of non-instructional services	43,085	43,085	53,251	(10,166)
Extracurricular activities	128,970	128,970	110,476	18,494
Debt service:				
Principal	61,374	61,374	58,074	3,300
Interest and fiscal charges	24,842	24,842	21,061	3,781
Other dues and fees	460	460	5,270	(4,810)
<b>Total cash disbursements</b>	<u>4,684,031</u>	<u>5,159,031</u>	<u>4,845,009</u>	<u>314,022</u>
<b>Excess of cash receipts over cash disbursements</b>	<u>262,274</u>	<u>173,213</u>	<u>665,700</u>	<u>492,487</u>
<b>Other financing sources:</b>				
Transfers in	-	131,958	-	(131,958)
<b>Net change in fund cash balance</b>	262,274	305,171	665,700	360,529
<b>Fund cash balance at beginning of year</b>	2,133,325	2,133,325	2,133,325	-
<b>Prior year encumbrances appropriated</b>	127,944	127,944	127,944	-
<b>Fund cash balance at end of year</b>	<u>\$ 2,523,543</u>	<u>\$ 2,566,440</u>	<u>\$ 2,926,969</u>	<u>\$ 360,529</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 148,387	\$ 67,869
<b>Net cash position:</b>		
Held in trust for scholarships	148,387	-
Held for student activities	-	67,869
Total net cash position	\$ 148,387	\$ 67,869

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$ 361
Gifts and contributions	6,487
Total additions	6,848
 <b>Deductions:</b>	
Scholarships awarded	7,650
Change in net cash position	(802)
<b>Net cash position at beginning of year</b>	149,189
<b>Net cash position at end of year</b>	\$ 148,387

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 18 non-certified and 35 certified (including administrative) full-time and part-time employees to provide services to approximately 490 students in grades K through 12 and various community groups.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**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 YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The District participates in four 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. These organizations are:

*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 a jointly governed organization among fifty-four member districts/educational service centers. 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. Each of these schools support NOACSC based upon a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating district/educational service center and the superintendent from the fiscal agent. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts/educational service centers within each county, plus one representative from the fiscal agent. During fiscal year 2016, the District paid \$26,252 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 Cooperative Career Center

The Millstream Cooperative Career Center (the Career Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center 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 School 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 School District, at 227 South West Street, Findlay, Ohio 45840-3377.

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 a twenty-five area in 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 NOERC \$200 for membership dues during fiscal year 2016. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio, 44805.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at [www.sstr1.org](http://www.sstr1.org).

*PUBLIC ENTITY RISK POOLS*

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool (see Note 8.A.). SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744. The District paid \$48,875 to SORSA during fiscal year 2016 for these services. SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High Street, Columbus, Ohio, 43235.

Putnam County School Insurance Group

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool (see Note 8.B.). The Group was created to enable its eleven members (political subdivisions) to obtain insurance coverage, provide methods of paying claims and provide a formalized jointly administered self-insurance pool. Specifically, the Group provides health and dental benefits to employees of its members.

The governing body of the Group is the Board of Trustees composed of the representatives of members who have been appointed by the respective governing bodies of the members. The Board of Trustees and the treasurer of the fiscal agent (a non-voting, ex-officio member of the Board) serves as the advisory body to the Group. It consists of one representative, being the superintendent of each member.

Medical Mutual of Ohio provides claims review and processing. The District contributed a total of \$483,887 to the Putnam County School Insurance Program for medical and dental insurance for its employees during fiscal year 2016. Financial information for the Putnam County School Insurance Program can be obtained from Jan Obsborn, Superintendent of Putnam County Educational Service Center, 124 Putnam Parkway, Ottawa, Ohio 45875.

OSBA/OASBO Workers' Compensation Group Retrospective Rating Plan

For fiscal year 2016, the District participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (the "Plan"), an insurance purchasing pool, sponsored by both the Ohio School Boards Association (OSBA) and Ohio Association of School Business Officials (OASBO) (see Note 8.C.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers'

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. The District paid \$325 to CompManagement, Inc. during fiscal year 2016 for these services.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. There are three categories of funds: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

The following are the District's major governmental funds:

*General Fund* – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond Retirement Fund* – The Bond Retirement Fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government in some manner for payment.

Other governmental funds of the District are used to account for specific revenue sources that are (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects.

*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. The District has no proprietary funds.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**FIDUCIARY FUND TYPES**

Fiduciary fund reporting focuses on net position and changes in net position. 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 funds account for rotary, student activities, and OSHAA tournament monies.

**C. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide Statement of Activities – Cash Basis presents a comparison between direct cash disbursements and program cash receipts for each function or program of the governmental activities of the District. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program cash receipts are presented as general cash receipts of the District.

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

**D. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenue (such as accounts receivable and revenue 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.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate 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 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. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present the General Fund budgetary statement comparison at the fund and function level. 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.

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

**F. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During 2016, the District invested in nonnegotiable certificates of deposit. Investments are reported at cost.

Following Ohio 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 2016 amounted to \$9,499, which includes \$1,835 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2016, the District had no investments.

An analysis of the District's deposits and investments at year-end is provided in Note 4.

**G. Inventory and Prepaid Items**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

**I. 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.

**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**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt issues are reported as receipts when cash is received and principal and interest payments are reported as disbursements when paid.

**L. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis.

**M. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is 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:



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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

*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.

*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 neither transaction for fiscal year 2016.

**P. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position / 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.

**C. Deficit Cash Balances**

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Title I Fund	\$ 1,311
Building Fund	97,576

The General Fund is liable for any deficit in these funds and provides transfers to cover deficit balances when cash is required.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 Governing 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 notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 items (1 or 2) above and repurchase agreements secured by such obligations, provided that investments in such securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)**

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

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$3,801,157. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$1,757,212 of the District's bank balance of \$3,842,931 was exposed to custodial risk as discussed below, while \$750,311 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2016, the District had no investments.

**C. Reconciliation of Cash and Investments to the Statement of Net Position – Cash Basis**

The following is a reconciliation of cash and investments reported in the note above to cash as reported on the Statement of Net Position – Cash Basis as of June 30, 2016:

<u>Cash and Investments per Note</u>	Carrying
Carrying amount of deposits	Value
	<u>\$ 3,801,157</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)**

<u>Cash and Cash Equivalents per Statement of Net Position - Cash Basis</u>	<u>Carrying Value</u>
Governmental Activities	\$ 3,584,901
Private Purpose Trust Funds	148,387
Agency Funds	<u>67,869</u>
Total	<u><u>\$ 3,801,157</u></u>

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding year end encumbrances (budget basis) are treated as disbursements (budget) rather than an assignment of fund balance (cash); and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 665,700
Funds budgeted elsewhere **	1,981
Adjustment for encumbrances	<u>230,363</u>
Cash basis	<u><u>\$ 898,044</u></u>

\*\* As part of Governmental Accounting Standards Board No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate Special Revenue funds are considered part of the General Fund on a cash basis. This includes Uniform School Supplies Fund, Public School Support Fund, and Unclaimed Money Fund.

**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.

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**NOTE 6 – PROPERTY TAXES – (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

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, 2016, are available to finance fiscal year 2016 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.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 62,601,800	96.66	\$ 62,737,710	96.73
Public utility personal	<u>2,160,040</u>	<u>3.34</u>	<u>2,123,530</u>	<u>3.27</u>
Total	<u>\$ 64,761,840</u>	<u>100.00</u>	<u>\$ 64,861,240</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.65		\$33.30	

**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.

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NOTES TO THE FINANCIAL STATEMENTS  
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**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 year 2016, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 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 \$15,000,000. An additional excess liability policy of \$15,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$32,632,922 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.

**C. Workers' Compensation**

For fiscal year, 2016, the District participated in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (the GRP), an insurance purchasing pool, sponsored by both the Ohio School Boards Association and Ohio Association of School Business Officials. The GRP is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower associated claims costs. It is similar in concept to Group Rating, as employers are evaluated as if the group was one big organization. However, with this program, organizations continue to pay their own individual premium but have the opportunity to receive retrospective premium adjustments (refunds or assessments based on the performance of the group) at the end of each of the three evaluation periods performed by the Ohio Bureau of Workers' Compensation (BWC).

Three evaluations are performed by BWC at 12, 24, and 36 months after the end of the policy year. At the end of each period, BWC looks at the expected losses of the group and compares to the actual losses to calculate the group's retrospective premium. If the premium calculated is less than the group's total standard premium, the participants receive a refund for that period. However, if the premium is greater, an assessment will be levied by BWC, but each group limits the maximum assessment by selecting a premium cap which can be factored into the District's budget.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS**

*Net Pension Liability*

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

*Plan Description – School Employees Retirement System (SERS)*

Plan Description – The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.



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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$71,587 for fiscal year 2016.

***Plan Description – State Teachers Retirement System of Ohio of Ohio (STRS Ohio)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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](http://www.strsoh.org).

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS Ohio was \$262,381 for fiscal year 2016.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$971,383	\$4,939,621	\$5,911,004
Proportion of the net pension liability	0.01702360%	0.01787317%	

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

*Assumptions – SERS*

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Changes Between Measurement Date and Report Date** – In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

**Discount Rate** – The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$1,346,959	\$971,383	\$655,117

**Actuarial Assumptions – STRS Ohio**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio’s investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50%.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**NOTE 9 – DEFINED PENSION BENEFIT PLANS – (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$6,861,507	\$4,939,621	\$3,314,381

*Changes Between Measurement Date and Report Date* – In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45 percent from 7.75 percent and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

*Health Care Plan Description* – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

*Funding Policy* – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

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

The District’s contributions for health care, including surcharge, for the fiscal years ended June 30, 2016, 2015, and 2014 were \$8,319, \$7,453, and \$7,442, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**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](http://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 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District’s contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$19,685, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**NOTE 11 – DEBT**

Debt outstanding at June 30, 2016 was as follows:

<u>Description</u>	<u>Balance</u> <u>6/30/15</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/16</u>	<u>Amount Due</u> <u>in One Year</u>
2010 School Facilities Construction and Improvement Bonds Advance Refunding	\$ 445,000	\$ -	\$ (70,000)	\$ 375,000	\$ -
2010 Capital Appreciation Bonds	8,739	-	-	8,739	8,739
Accreted Interest	42,840	16,592	-	59,432	59,432
OSFC Lease Purchase	380,000	-	(14,000)	366,000	15,000
Capital Leases	44,074	-	(44,074)	-	-
Energy Loan	-	311,882	-	311,882	-
Total Debt Obligations	<u>\$ 920,653</u>	<u>\$ 328,474</u>	<u>\$ (128,074)</u>	<u>\$ 1,121,053</u>	<u>\$ 83,171</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 a disbursement in the Debt Service Bond Retirement 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 11 – DEBT – (Continued)**

In conjunction with the 6.53 mills 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 receipts from this levy have been reported in the Special Revenue Classroom Facilities Maintenance Fund.

Series 2010 Advance Refunding General Obligation Bonds

On July 27, 2010, the District issued \$773,739 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 \$773,739 in School Facilities Construction and Improvement Advance Refunding Bonds. Of the \$773,739 bonds issued, \$455,000 are serial bonds with interest rates ranging from 1.00% to 3.25% and a final maturity December 1, 2017, \$310,000 are term bonds with an interest rate of 4.00% maturing December 1, 2022, and \$8,739 are capital appreciation bonds with a maturity value of \$70,000 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.

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			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 14,513	\$ 14,513	\$ 8,739	\$ 61,261	\$ 70,000
2018	65,000	13,456	78,456	-	-	-
2019	65,000	11,100	76,100	-	-	-
2020	65,000	8,500	73,500	-	-	-
2021	60,000	6,000	66,000	-	-	-
2022 - 2023	120,000	4,800	124,800	-	-	-
Total	<u>\$ 375,000</u>	<u>\$ 58,369</u>	<u>\$ 433,369</u>	<u>\$ 8,739</u>	<u>\$ 61,261</u>	<u>\$ 70,000</u>

Energy Loan

On April 7, 2016 the District entered into a \$485,966 loan agreement with the Ohio Development Services Agency for upgrades for controls to optimize sequences, replacement and repair of ventilators, and parking lot lighting upgrades. The loan is not completely disbursed in 2016 therefore there is no amortization schedule and the District did not make any principal payments on the loan.



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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 11 – DEBT – (Continued)**

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 percent of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 percent of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations as of June 30, 2016, are a voted debt margin of \$5,829,889 and an unvoted debt margin of \$64,730. The District is allowed to exceed its debt margin under Ohio Revised Code Section 133.06(I).

**NOTE 12 – 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 2016, the District made principal payments of \$14,000 and interest/fees payments of \$19,778 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, 2016.

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,000	\$ 19,052	\$ 34,052
2018	16,000	18,266	34,266
2019	17,000	17,428	34,428
2020	18,000	16,535	34,535
2021	18,000	15,606	33,606
2022 - 2026	108,000	62,069	170,069
2027 - 2031	141,000	28,783	169,783
2032	<u>33,000</u>	<u>894</u>	<u>33,894</u>
Total	<u>\$ 366,000</u>	<u>\$ 178,633</u>	<u>\$ 544,633</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**NOTE 12 – LEASE PURCHASE AGREEMENTS – (Continued)**

Student Transportation Buses

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 2016, the District made a principal payment of \$44,074 to complete the lease-purchase agreement.

**NOTE 13 – 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. Disbursements 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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	81,011
Current year qualifying disbursements	(6,443)
Current year offsets	(31,925)
Prior year offset from bond proceeds	<u>(42,643)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**NOTE 14 – CONTINGENT LIABILITIES**

**A. Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2016.

**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 YEAR ENDED JUNE 30, 2016  
(Continued)**

**NOTE 14 – CONTINGENT LIABILITIES – (Continued)**

**C. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Miller City-New Cleveland Local School District  
Putnam County  
200 North Main Street  
P.O. Box 38  
Miller City, Ohio 45864-0038

To 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 cash-basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miller City-New Cleveland Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2018, wherein we noted the District uses a special purpose framework other than generally accepting accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-003 to be a material weakness.

### ***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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 and 2017-002.

***District's Response to Findings***

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

***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 District internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 18, 2018

MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Noncompliance Citation**

**Ohio Rev. 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 Admin. Code 117-2-03(B)** adds to the general requirements of Ohio Rev. Code § 117.38 by requiring Districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacked a Governmental Accounting Statement Standards Board (GASB) Statement No. 34 policy, and as a cost savings measure, the District decided to prepare its financial statements on the cash basis of accounting, which is a basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, presumably, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

The District should prepare its financial statements in accordance with generally accepted accounting principles.

**Officials’ Response:**

The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / GAAP) and the similarities and differences from the required reporting format and the method currently incorporated by the District, the other comprehensive basis of accounting and determined reporting on the OCBOA format to be the more fiscally responsible format at this time.

FINDING NUMBER 2017-002

**Noncompliance Citation**

**Ohio Rev. Code § 5705.10(I)** provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

House Bill 264 Energy Conservation Fund 004 had a deficit fund balance of (\$19,155) at March 9, 2016, (\$409,458) at May 25, 2016, (\$97,576) at June 30, 2016 and (\$168,540) at July 31, 2016. The District corrected the deficit balance with a transfer from the General Fund in August 2016.

This noncompliance was the result of inadequate policies and procedures in monitoring fund balances. Using money from one fund to cover the expenses of another could result in an improper use of funds. The Board should monitor its financial activity and approve advances or transfers from allowable funds prior to deficit fund balances occurring.

**Officials' Response:**

House Bill 264 Energy Conservation Fund 004 was treated like a grant fund which allows negative balances if a cash request is completed and outstanding for the negative amount. The Development Service Agency allowed this arrangement as a practice; however, there was no cash request pending or outstanding for the deficit fund balance of \$97,576 as of June 30, 2016.

**FINDING NUMBER 2017-003**

**Material Weakness – Monitoring of Financial Statements**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2017, the Treasurer incorrectly posted an interfund transfer from the General Fund to the House Bill 264 Energy Conservation Loan Fund (004), a nonmajor governmental fund, in the amount of \$70,964. This amount was incorrectly reported as an operation and maintenance disbursement in the General Fund and as a negative disbursement in the House Bill 264 Energy Conservation Loan Fund, and thus overstated the General Fund's disbursements while the Nonmajor Governmental Funds' disbursements were understated by this amount.

The District lacked a policy regarding financial review which contributed to this material posting discrepancy without detection. As a result, the District's financial statements did not correctly reflect the financial activity of the District. The District's financial statements have been adjusted to correct this error.

The Treasurer should post all transactions in accordance with the guidance established by the Uniform School Accounting System. Furthermore, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and the Board to help ensure errors and omissions are detected and corrected.

**Officials' Response:**

The loan recorded in House Bill 264 Energy Conservation Fund 004 was fully repaid prior to being 100% drawn down. The \$70,964 transfer approved by the Board of Education represents the 6<sup>th</sup> payment to Plug Smart that should have been paid from the General Fund rather than Fund 004 since the loan had already been repaid. A correcting entry was posted by the District between the two funds to avoid any further draws from the Development Service Agency. Instead, the transfer approved by the Board to correct Fund 004's fund balance should have been posted in place of the correcting entry.





**MILLER CITY - NEW CLEVELAND**  
**LOCAL SCHOOL DISTRICT**  
**P.O. Box 38 • Miller City, Ohio 45864**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	This finding was first reported in 2004. Material noncompliance with Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) for not reporting financial statements on a Generally Accepted Accounting Principles (GAAP) basis	Not Corrected and reissued as finding as finding 2017-001 in this report.	District Board of Education personnel considered the cost-benefit of the different reporting formats and determined the current reporting format to be the more fiscally responsible format at this time.

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# 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  
JULY 5, 2018**