



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

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Miller City-New Cleveland Local School District  
Putnam County  
5400 Road 13C  
P.O. Box 38  
Miller City, Ohio 45864-0038

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Miller City-New Cleveland Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Miller City-New Cleveland Local School District, Putnam County, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

December 11, 2001

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$1,295,705	\$69,024	\$146,854	\$6,513,917
Cash with fiscal agent		1,039	1,371	
Investments		25,576		1,524,164
Receivables				
Taxes - current and delinquent	732,417	13,393	161,516	
Accrued interest	79,978	142		1,608
Grants				3,493,998
Advances to other funds	7			
Prepayments	17,187			
Materials and supplies inventory	319			
Restricted assets:				
Equity in pooled cash and cash equivalents	61,497			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other debits:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<b>\$2,187,110</b>	<b>\$109,174</b>	<b>\$309,741</b>	<b>\$11,533,687</b>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$13,759	\$16,910			\$8,056,169
				2,410
				1,549,740
				907,326
				81,728
				3,493,998
				7
				17,187
755				1,074
				61,497
16,738		\$4,187,244		4,203,982
			\$157,008	157,008
			1,569,008	1,569,008
<u>\$31,252</u>	<u>\$16,910</u>	<u>\$4,187,244</u>	<u>\$1,726,016</u>	<u>\$20,101,134</u>

(Continued)

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

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001  
(Continued)**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$12,921			\$229,893
Accrued wages and benefits	218,704	\$4,624		
Compensated absences payable	4,526			
Pension obligation payable	45,150	528		
Advances from other funds				
Matured bonds payable			\$1,371	
Deferred revenue	586,481	12,693	151,362	3,495,606
Due to students				
Undistributed monies				
General obligation bonds payable				
Obligation under capital lease				
Total liabilities	<u>867,782</u>	<u>17,845</u>	<u>152,733</u>	<u>3,725,499</u>
<b>Equity and other credits:</b>				
Investment in general fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	29,515			1,522,204
Reserved for supplies inventory	319			
Reserved for prepayments	17,187			
Reserved for debt service			146,854	
Reserved for tax revenue unavailable for appropriation	37,542	842	10,154	
Reserved for instructional materials	24,436			
Reserved for capital maintenance	26,755			
Reserved for budget stabilization	10,306			
Unreserved-undesignated	1,173,268	90,487		6,285,984
Total equity and other credits	<u>1,319,328</u>	<u>91,329</u>	<u>157,008</u>	<u>7,808,188</u>
<b>Total liabilities, equity and other credits</b>	<b><u><u>\$2,187,110</u></u></b>	<b><u><u>\$109,174</u></u></b>	<b><u><u>\$309,741</u></u></b>	<b><u><u>\$11,533,687</u></u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$242,814
\$6,994				230,322
3,982			\$243,383	251,891
8,725			19,244	73,647
7				7
				1,371
482				4,246,624
	\$15,392			15,392
	1,518			1,518
			1,452,522	1,452,522
			10,867	10,867
<u>20,190</u>	<u>16,910</u>		<u>1,726,016</u>	<u>6,526,975</u>
		\$4,187,244		4,187,244
1,666				1,666
9,396				9,396
				1,551,719
				319
				17,187
				146,854
				48,538
				24,436
				26,755
				10,306
				7,549,739
<u>11,062</u>		<u>4,187,244</u>		<u>13,574,159</u>
<u><b>\$31,252</b></u>	<u><b>\$16,910</b></u>	<u><b>\$4,187,244</b></u>	<u><b>\$1,726,016</b></u>	<u><b>\$20,101,134</b></u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$1,015,931	\$13,271
Tuition	1,969	
Earnings on investments	141,414	2,428
Extra - Curricular Activities		59,255
Other local revenues	34,769	1,189
Intergovernmental - State	1,971,331	16,263
Intergovernmental - Federal		240,275
	<hr/>	<hr/>
Total revenue	3,165,414	332,681
	<hr/>	<hr/>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	1,439,851	3,705
Special	242,265	70,975
Vocational	131,441	
Support services:		
Pupil	56,008	138
Instructional staff	120,613	161,804
Board of Education	65,972	328
Administration	317,698	1,005
Fiscal	45,963	312
Business	221	
Operations and maintenance	220,720	524
Pupil transportation	140,508	65
Central	1,811	4,999
Community services		2,249
Extracurricular activities	62,811	58,095
Facilities services	106,720	
Debt service:		
Principal retirement	1,817	
Interest and fiscal charges	2,407	
	<hr/>	<hr/>
Total expenditures	2,956,826	304,199
	<hr/>	<hr/>
Excess of revenues over expenditures	208,588	28,482
	<hr/>	<hr/>
Fund balance, July 1	1,111,555	62,847
	<hr/>	<hr/>
Decrease in reserve for inventory	(815)	
	<hr/>	<hr/>
<b>Fund balance, June 30</b>	<b><u><u>\$1,319,328</u></u></b>	<b><u><u>\$91,329</u></u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<b>Governmental Fund Types</b>		<b>Total</b>
<b>Debt Service</b>	<b>Capital Projects</b>	<b>(Memorandum Only)</b>
\$181,714	\$24,561	\$1,235,477
	149,047	1,969
		292,889
		59,255
		35,958
21,732	6,777,751	8,787,077
		240,275
<u>203,446</u>	<u>6,951,359</u>	<u>10,652,900</u>
	12,123	1,455,679
		313,240
		131,441
		56,146
	46,136	328,553
		66,300
		318,703
		46,275
		221
	11,916	233,160
		140,573
		6,810
		2,249
		120,906
	991,641	1,098,361
81,478		83,295
94,817		97,224
<u>176,295</u>	<u>1,061,816</u>	<u>4,499,136</u>
<u>27,151</u>	<u>5,889,543</u>	<u>6,153,764</u>
<u>129,857</u>	<u>1,918,645</u>	<u>3,222,904</u>
		(815)
<u><b>\$157,008</b></u>	<u><b>\$7,808,188</b></u>	<u><b>\$9,375,853</b></u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,079,524	\$1,012,214	(\$67,310)
Tuition	3,402	1,969	(1,433)
Earnings on investments	115,030	112,461	(2,569)
Extra - Curricular Activities			
Other local revenues	15,115	26,304	11,189
Intergovernmental - State	1,947,375	1,972,081	24,706
Intergovernmental - Federal			
Total revenues	<u>3,160,446</u>	<u>3,125,029</u>	<u>(35,417)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,701,903	1,451,912	249,991
Special	326,151	253,926	72,225
Vocational	239,667	141,857	97,810
Support services:			
Pupil	62,144	55,664	6,480
Instructional staff	165,625	119,966	45,659
Board of Education	70,120	66,654	3,466
Administration	377,379	318,466	58,913
Fiscal	58,266	49,743	8,523
Operations and maintenance	236,329	222,923	13,406
Pupil transportation	151,726	140,948	10,778
Central	4,392	3,549	843
Community services	715		715
Extracurricular activities	62,814	63,515	(701)
Facilities services	106,720	106,720	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>3,563,951</u>	<u>2,995,843</u>	<u>568,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(403,505)</u>	<u>129,186</u>	<u>532,691</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures	9,654	8,465	(1,189)
Operating transfers in	124,888	124,888	
Operating transfers (out)	(127,388)	(127,388)	
Advances in	21	2,136	2,115
Advances (out)		(2,136)	(2,136)
Total other financing sources (uses)	<u>7,175</u>	<u>5,965</u>	<u>(1,210)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(396,330)</u>	<u>135,151</u>	<u>531,481</u>
Fund balances, July 1	1,154,912	1,154,912	
Prior year encumbrances appropriated	24,703	24,703	
<b>Fund balances, June 30</b>	<b><u>\$783,285</u></b>	<b><u>\$1,314,766</u></b>	<b><u>\$531,481</u></b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$13,152	\$13,122	(\$30)	\$183,060	\$182,683	(\$377)
2,422	2,428	6			
1,189	1,189				
59,001	59,255	254			
16,233	16,263	30	21,355	21,732	377
214,489	214,489				
306,486	306,746	260	204,415	204,415	
13,057	3,377	9,680			
57,319	44,785	12,534			
161,270	160,588	682			
327	327				
2,000	1,005	995			
300	311	(11)			
524	524				
350	65	285			
5,000	5,000				
2,250	2,250				
62,276	58,093	4,183			
			81,478	81,478	
			96,047	94,817	1,230
304,673	276,325	28,348	177,525	176,295	1,230
1,813	30,421	28,608	26,890	28,120	1,230
5,357	5,357				
(5,357)	(5,357)				
2,134	2,136	2			
(2,134)	(2,136)	(2)			
1,813	30,421	28,608	26,890	28,120	1,230
63,929	63,929		118,734	118,734	
250	250				
<b>\$65,992</b>	<b>\$94,600</b>	<b>\$28,608</b>	<b>\$145,624</b>	<b>\$146,854</b>	<b>\$1,230</b>

(Continued)

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$28,411	\$27,645	(\$766)
Tuition			
Earnings on investments	151,090	149,047	(2,043)
Extra - Curricular Activities			
Other local revenues			
Intergovernmental - State	6,777,722	6,777,751	29
Intergovernmental - Federal			
Total revenues	<u>6,957,223</u>	<u>6,954,443</u>	<u>(2,780)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	12,208	12,208	
Special			
Vocational			
Support services:			
Pupil			
Instructional staff	71,115	57,241	13,874
Board of Education			
Administration			
Fiscal			
Operations and maintenance	116,726	11,917	104,809
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities services	3,167,324	2,513,173	654,151
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>3,367,373</u>	<u>2,594,539</u>	<u>772,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,589,850</u>	<u>4,359,904</u>	<u>770,054</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures			
Operating transfers in			
Operating transfers (out)			
Advances in			
Advances (out)			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	3,589,850	4,359,904	770,054
Fund balances, July 1	1,842,193	1,842,193	
Prior year encumbrances appropriated	83,887	83,887	
<b>Fund balances, June 30</b>	<b><u>\$5,515,930</u></b>	<b><u>\$6,285,984</u></b>	<b><u>\$770,054</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**Total (Memorandum only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$1,304,147	\$1,235,664	(\$68,483)
3,402	1,969	(1,433)
268,542	263,936	(4,606)
1,189	1,189	
74,116	85,559	11,443
8,762,685	8,787,827	25,142
214,489	214,489	
<u>10,628,570</u>	<u>10,590,633</u>	<u>(37,937)</u>
1,727,168	1,467,497	259,671
383,470	298,711	84,759
239,667	141,857	97,810
62,144	55,664	6,480
398,010	337,795	60,215
70,447	66,981	3,466
379,379	319,471	59,908
58,566	50,054	8,512
353,579	235,364	118,215
152,076	141,013	11,063
9,392	8,549	843
2,965	2,250	715
125,090	121,608	3,482
3,274,044	2,619,893	654,151
81,478	81,478	
96,047	94,817	1,230
<u>7,413,522</u>	<u>6,043,002</u>	<u>1,370,520</u>
<u>3,215,048</u>	<u>4,547,631</u>	<u>1,332,583</u>
9,654	8,465	(1,189)
130,245	130,245	
(132,745)	(132,745)	
2,155	4,272	2,117
(2,134)	(4,272)	(2,138)
<u>7,175</u>	<u>5,965</u>	<u>(1,210)</u>
3,222,223	4,553,596	1,331,373
3,179,768	3,179,768	
108,840	108,840	
<u><b>\$6,510,831</b></u>	<u><b>\$7,842,204</b></u>	<u><b>\$1,331,373</b></u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Operating revenues:</b>	
Tuition and fees	\$20,731
Sales/charges for services	111,813
Total operating revenues	132,544
<b>Operating expenses:</b>	
Personal services	68,494
Contract services	7,462
Materials and supplies	101,963
Depreciation	3,654
Total operating expenses	181,573
Operating loss	(49,029)
<b>Nonoperating revenues (expenses):</b>	
Operating grants	20,294
Federal commodities	11,865
Interest revenue	880
Loss on sale of assets	(1,662)
Total nonoperating revenues	31,377
Net loss	(17,652)
Retained earnings July 1	27,048
<b>Retained earnings June 30</b>	<b>\$9,396</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees	\$20,866
Cash received from sales/service charges	111,813
Cash payments for personal services	(65,909)
Cash payments for contract services	(7,462)
Cash payments for supplies and materials	(89,993)
Net cash used in operating activities	(30,685)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants	20,294
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(397)
<b>Cash flows from investing activities:</b>	
Interest received	880
Net decrease in cash and cash equivalents	(9,908)
Cash and cash equivalents at beginning of year	23,667
<b>Cash and cash equivalents at end of year</b>	<b>\$13,759</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(\$49,029)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>	
Depreciation	3,654
Federal donated commodities	11,865
Changes in assets and liabilities:	
Increase in supplies inventory	(10)
Decrease in accounts receivable	135
Increase in accrued wages & benefits	360
Increase in compensated absences payable	520
Increase in pension obligation payable	1,705
Increase in deferred revenue	115
<b>Net cash used in operating activities</b>	<b>(\$30,685)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**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 2 instructional buildings. The District employs 18 non-certified and 40 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, which ranks it 609 out of approximately 682 public and community school districts in Ohio.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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*JOINTLY GOVERNED ORGANIZATIONS*

*Northwest Ohio Area Computer Services Cooperative*

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

*Millstream Career Cooperative*

The Millstream Career Cooperative ("Millstream") is a distinct political subdivision of the State of Ohio established under Section 3313.90. Millstream operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City 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 Pamela Barber, Treasurer, Findlay City Schools, at 227 South West Street, Findlay, Ohio 45840-3377.

The District also participates in two insurance group purchasing pools, described in Note 12.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

*General Fund* - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General fund balance is available to the District for any purpose provided it is expended or transferred in accordance with applicable Ohio statute.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

**PROPRIETARY FUNDS**

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types.

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

**FIDUCIARY FUNDS**

Agency Funds - These funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature, and results of operations are not measured. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

**ACCOUNT GROUPS**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

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**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001 but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest reported only when due; and the costs of accumulated unpaid vacation and sick leave are

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures

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as elected by the District Treasurer. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid. The Eisenhower, Title VI-B Preschool, Title VI-B School Age, and Drug Free Schools Special Revenue funds are flow through grants for which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the District's reporting entity, for which the "appropriated budget" is adopted, and the District does not maintain separate budgetary records.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation, except the food service fund which had expenditures exceeding appropriations by \$2,007.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	Increase
General	\$713,622
Special Revenue	191,349
Debt Service	4,468
Capital Projects	1,632,491
Enterprise	9,026
Totals	\$2,550,956

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting.

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**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet. Cash and cash equivalents held for the District by the Putnam County Educational Service Center is included on the balance sheet as "Cash with Fiscal Agent". The District utilizes a financial institution to service bonded debt principal and interest as payments come due. This account is presented on the combined balance sheet as "Cash with Fiscal Agent".

During fiscal 2001, investments were limited to certificates of deposit, repurchase agreements, and money market deposit accounts.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

In accordance with Ohio statute, the Board of Education has specified, by resolution, which funds shall receive an allocation of interest earnings. During fiscal 2001, the following funds were credited with more interest revenue than would have been received based upon their share of the District's investments:

	Interest Actually Received	Interest Based upon Share of Investments	Interest Assigned from Other Funds
General	\$141,414	\$57,338	\$84,076
Special Revenue Fund:			
Education Foundation	2,428	1,144	1,284
Enterprise Fund			
Food Services	880	822	58

**F. Inventory**

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicated they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expenses when used rather than when purchased.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the

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balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest on debt issued to construct or acquire general fixed assets is not capitalized in the account group. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	10

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund  
State Foundation Program  
State Property Tax Relief  
School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds  
Teacher Development Block Grant  
Financial Literacy Grant  
Management Information Systems  
Title I  
Title VI-Preschool

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<p><u>Special Revenue Fund</u> State Property Tax Relief</p> <p><u>Debt Service Funds</u> State Property Tax Relief</p> <p><u>Capital Projects Fund</u> State Property Tax Relief</p> <p><u>Reimbursable Grants</u></p> <p><u>General Fund</u> Driver Education</p> <p><u>Special Revenue Fund</u> Telecommunications</p>	<p><u>Non-Reimbursable Grants (Continued)</u> Title VI-B School Age Eisenhower Grant Reducing Class Size Ohio Reads Grant Drug-Free Schools</p> <p><u>Capital Project Funds</u> SchoolNet Ohio School Facilities Distance Learning Grant</p> <p><u>Proprietary Funds</u> National School Lunch Program National School Milk Program Government Donated Commodities</p>
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Grants and entitlements amounted to over 83% of the District's operating revenue during the 2001 fiscal year.

**J. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**K. Statutory Reserves**

The District is required by state law to set aside certain General fund (cash basis) revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/00	\$28,805	\$90	\$51,051	\$79,946
Required Set-Aside	\$67,029	\$67,029		134,058
Current Year Offset		(31,513)		(31,513)
Qualifying Expenditures	(71,398)	(8,851)		(80,249)
Change in Statutory Requirement			(40,745)	(40,745)
Balance 6/30/01	\$24,436	\$26,755	\$10,306	\$61,497

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for instructional materials	\$24,436
Amount restricted for budget stabilization	10,306
Amount restricted for capital maintenance	26,755
Total restricted assets	\$61,497

**L. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten (10) years of service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**M. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds and capital leases are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

**N. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, prepaids, supplies inventory, tax revenue unavailable for appropriation, budget stabilization, instructional materials, and capital maintenance. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**O. Contributed Capital**

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 2001.

Prior to 1994, the District prepared its financial statements on a cash basis; consequently, contributed capital (if any) prior to 1994 has not been included in the Proprietary funds' total equity.

**P. Statement of Cash Flows**

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase) and investments of the District's cash management pool.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**Q. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**R. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish reserve balance accounts. These reserves are required by State statute and can be used only for statutorily-specified purposes. A reservation of fund equity has also been recorded. See Note 2.K for detail of statutory reserves.

**S. Estimates**

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

**T. Memorandum Only - Total Columns**

Total columns on the General-Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
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**B. Deficit Fund Balances**

Fund balances at June 30, 2001 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Teacher Development Block Grant	\$ (3)
Management Information Systems	(24)
Ohio Reads	(10)

These GAAP Basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**4. EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

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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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

*Cash on Hand:* At year end, the District had \$30 in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

*Cash with Fiscal Agent:* At year end, \$2,410 was on deposit with the District's fiscal agents for pass-through grants and debt service and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

*Deposits:* At year-end the carrying amount of the District's deposits was \$9,669,786 and the bank balance was \$9,798,317 (both amounts include \$2,736,723 in non-negotiable certificates of deposit).

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Of the bank balance:

1. \$368,871 was covered by federal deposit insurance; and
2. \$9,429,446 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	<u>Investments</u>
GASB Statement No. 9	\$8,117,666	\$1,549,740
Certificates of Deposit	1,549,740	(\$1,549,740)
Cash on Hand	(30)	
Cash with Fiscal Agent	2,410	
GASB Statement No. 3	<u>\$9,669,786</u>	<u>                    </u>

**5. INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's advances to/from other funds at June 30, 2001:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$7	
Enterprise Funds:		
Uniform School Supplies		(\$7)
Total	<u>\$7</u>	<u>(\$7)</u>

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$24,959,700	86.40%	\$25,705,840	85.98%
Public Utility	2,652,530	9.18%	2,986,420	9.99%
Tangible Personal Property	1,275,406	4.42%	1,205,280	4.03%
Total Assessed Value	<u>\$28,887,636</u>	<u>100.00%</u>	<u>\$29,897,540</u>	<u>100.00%</u>

Tax rate per \$1,000 of  
assessed valuation

Operations	\$31.00	\$31.00
Debt Service	8.03	6.03
Permanent Improvements	3.00	
Special Purpose	0.50	0.50

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Putnam County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$37,542 in the General fund, \$10,154 in the Debt Service fund, and \$842 in the Special Revenue Maintenance fund.

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**7. INCOME TAX**

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective January 1, 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 revenue is credited to the General fund, and totaled \$428,164 for fiscal 2001, which includes a receivable of \$138,898 at June 30, 2001.

**8. RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - Current and Delinquent	\$732,417
Accrued Interest	79,978
 <u>Special Revenue Fund</u>	
Taxes - Current and Delinquent	13,393
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	161,516
 <u>Capital Projects Fund</u>	
Ohio School Facilities Grants	3,493,998

**9. FIXED ASSETS**

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land/Improvements	\$59,240	\$106,720		\$165,960
Buildings/Improvements	1,645,584	\$225,064		1,870,648
Furniture/Equipment	886,302	225,093	\$110,921	1,000,474
Vehicles	419,394			419,394
Construction In Progress	84,584	646,184		730,768
Total	\$3,095,104	\$1,203,061	\$110,921	\$4,187,244

The construction in progress represents an addition to the elementary school and renovations to the high school, which are expected to be completed during fiscal year 2002.

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A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$49,106
Less: Accumulated Depreciation	<u>32,368</u>
Net Fixed Assets	<u><u>\$16,738</u></u>

**10. CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the District has entered into a capitalized lease for the acquisition of a copier. The term of the lease provides an option to purchase the equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$13,410, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$1,817. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2001:

General Long-Term Obligations	
Year Ending June 30	Copier
2002	\$4,224
2003	4,224
2004	4,224
2005	<u>2,815</u>
Total Future Minimum Lease Payments	15,487
Less: Amount Representing Interest	<u>(4,620)</u>
Present Value of Future Minimum Lease Payment	<u><u>\$10,867</u></u>

**11. LONG-TERM OBLIGATIONS**

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. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 6.03 (average) mill 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). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001 the total estimated cost of the building project is \$12,474,606, of which OSFC will pay \$10,603,119.

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In conjunction with the 6.03 mills which support the bond issue, the District also passed in fiscal 2000 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the Special Revenue funds.

- A.** The following is a description of the District's general obligation bonds outstanding as of June 30, 2001:

Purpose	Interest Rates	Issue Date	Maturity Date	Balance at 7/1/00	Issued During Fiscal 2001	Retired During Fiscal 2001	Balance at 6/30/01
Construction	5.98%	12/1/99	12/1/22	\$1,483,000		\$64,478	\$1,418,522
New Gymnasium	5.38%	6/1/78	12/1/02	51,000		17,000	34,000
				<u>\$1,534,000</u>		<u>\$81,478</u>	<u>\$1,452,522</u>

- B.** The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds.

Year Ending June 30	Principal	Interest	Total
2002	\$81,478	\$85,427	\$166,905
2003	81,478	80,604	162,082
2004	64,478	76,441	140,919
2005	64,478	72,328	136,806
2006	64,478	68,419	132,897
2007-2011	322,390	283,616	606,006
2012-2016	322,390	185,914	508,304
2017-2021	322,390	88,019	410,409
2022-2023	128,962	7,830	136,792
Total	<u>\$1,452,522</u>	<u>\$948,598</u>	<u>\$2,401,120</u>

- C.** During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Compensated Absences	\$276,682	\$3,395	\$36,694	\$243,383
General Obligation Bonds	1,534,000		81,478	1,452,522
Pension Obligation	17,443	19,244	17,443	19,244
Capital Leases	12,684		1,817	10,867
Total	<u>\$1,840,809</u>	<u>\$22,639</u>	<u>\$137,432</u>	<u>\$1,726,016</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of \$1,395,265 (including available funds of \$157,008) and an unvoted debt margin of \$29,898.

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**12. RISK MANAGEMENT**

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 disaster. During fiscal year 2001, the District contracted with Indiana Insurance Company for property insurance, fleet insurance and liability insurance.

Coverages provided by the Districts insurance carriers are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents- Replacement cost	500	\$12,866,827
Inland Marine Coverage	250	42,000
Automobile Liability		1,000,000
Uninsured Motorists		1,000,000
Medical Payments - per person		5,000
General Liability:		
Per occurrence		3,000,000
Total per year		5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal 2000.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The Plan's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. The District paid the Plan \$579 for services provided during the year.

The District participates in the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool consisting of 11 member entities. The experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the PCSIG. The District pays monthly premiums to the Medical Mutual of Ohio for employee medical benefits.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

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**13. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	Food Services	Uniform School Supplies	Total
Operating Revenue	\$111,813	\$20,731	\$132,544
Depreciation Expense	3,654		3,654
Operating Loss	(48,786)	(243)	(49,029)
Non-operating revenue:			
Operating Grants	20,294		20,294
Donated Federal Commodities	11,865		11,865
Net Loss	(17,409)	(243)	(17,652)
Net Working Capital	(2,158)	471	(1,687)
Fixed Assets:			
Additions	397		397
Total Assets	30,781	471	31,252
Long-Term Liabilities			
Payable from			
Fund Revenues	3,982	7	3,989
Total Fund Equity	10,598	464	11,062

**14. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$40,428, \$52,735, and \$47,310, respectively; 36% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$25,740, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

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**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$215,938, \$233,813, and \$189,999, respectively; 82% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$38,684, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**15. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$69,409 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$35,875 during the 2001 fiscal year.

**16. OTHER EMPLOYEE BENEFITS**

The Board of Education has approved an early retirement incentive (ERI) program for certified employees. The Board will purchase, from STRS, an additional one year of service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least fifty years old, qualified for retirement with the year purchased by the Board, and were employed by the Board prior to June 30, 2001. The enrollment period for the ERI has no expiration date for eligible teachers. The Board did not limit the number of employees participating in the plan in any one year. In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement. At June 30, 2001, there were no new participants in this ERI plan, and all previous amounts of liability recognized for this plan had been liquidated.

**17. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).
- (d) Although not part of the appropriated budget, Title VI-B Preschool, Title VI-B School Age, Eisenhower and Drug Free Special Revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$135,151	\$30,421	\$28,120	\$4,359,904
Net adjustment for revenue accruals	40,385	25,935	(969)	(3,084)
Net adjustment for expenditure accruals	(3,419)	(27,874)		(219,374)
Net adjustment for other financing sources/(uses)	(5,965)			
Adjustment for encumbrances	42,436			1,752,097
GAAP Basis	\$208,588	\$28,482	\$27,151	\$5,889,543

**18. CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

As of the balance sheet date, the District is involved in no litigation either as a plaintiff or defendant.

**C. School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

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

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 11, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision will have on its future State funding and on its financial operations.

**19. OUTSTANDING CONTRACTUAL COMMITMENTS**

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
Classroom facilities	Beilharz Architects	\$56,119
Classroom facilities	K & L Ready Mix	80,910
Classroom facilities	E.J. Meyer & Sons, Inc.	1,485,273
Total		<u>\$1,622,302</u>

**20. SUBSEQUENT EVENTS**

During fiscal year 2002, the District issued \$8,615,944 in contracts for classroom facilities project.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Miller City-New Cleveland Local School District  
Putnam County  
5400 Road 13C  
P.O. Box 38  
Miller City, Ohio 45864-0038

To the Board of Education:

We have audited the financial statements of Miller City-New Cleveland Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 11, 2001.

Miller City-New Cleveland Local School District  
Putnam County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit and finance committee, management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 11, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JANUARY 8, 2002**