



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009**



**Mary Taylor, CPA**  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Miller City-New Cleveland Local School District, Putnam County, (the District) as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2009 and 2008 in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 2, 2009

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash receipts:</b>					
Property tax and other local taxes	\$ 1,271,318	\$ 14,381	\$ 128,205		\$ 1,413,904
Intergovernmental	2,222,897	104,601	24,751		2,352,249
Tuition	512,741				512,741
Earnings on investments	51,610	4,081		\$ 523	56,214
Transportation Fees	2,653				2,653
Extracurricular Activities		67,059			67,059
Classroom Materials and Fees	21,633				21,633
Revenues from Intermediate Sources		5,334			5,334
Gifts and Donations		27,325			27,325
Miscellaneous	20,973	5,435			26,408
<b>Total cash receipts</b>	<b>4,103,825</b>	<b>228,216</b>	<b>152,956</b>	<b>523</b>	<b>4,485,520</b>
<b>Cash disbursements:</b>					
Instruction					
Regular	1,991,743	2,000			1,993,743
Special	253,217	30,252			283,469
Vocational Education	197,523	4,021			201,544
Other Instruction	4,375				4,375
Supporting Services					
Pupils	89,294	1,142			90,436
Instructional Staff	128,706	30,073			158,779
Board of Education	118,436	473			118,909
Administration	457,344				457,344
Fiscal Services	41,650				41,650
Operation and Maintenance of Plant	474,810	36,385		424	511,619
Pupil Transportation	167,209				167,209
Central	2,389	6,346			8,735
Non-Instructional Services	644	6,700			7,344
Extracurricular Activities	124,727	64,399			189,126
Facilities Acquisition and Construction				2,477	2,477
Debt Service:					
Repayment of Debt	76,078	14,359	125,248		215,685
<b>Total cash disbursements</b>	<b>4,128,145</b>	<b>196,150</b>	<b>125,248</b>	<b>2,901</b>	<b>4,452,444</b>
Total cash receipts over/(under) cash disbursements	(24,320)	32,066	27,708	(2,378)	33,076
<b>Other financing receipts/disbursements:</b>					
Transfers-In	163,957				163,957
Transfers-Out	(163,957)				(163,957)
<b>Total other financing receipts/disbursements</b>					
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	(24,320)	32,066	27,708	(2,378)	33,076
Fund cash balances, July 1	1,880,431	138,811	165,662	74,410	2,259,314
Fund cash balances, June 30	<u>\$ 1,856,111</u>	<u>\$ 170,877</u>	<u>\$ 193,370</u>	<u>\$ 72,032</u>	<u>\$ 2,292,390</u>
Reserves for encumbrances, December 31	<u>\$ 94,112</u>	<u>\$ 8,760</u>		<u>\$ 103,678</u>	<u>\$ 206,550</u>

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

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating cash receipts:</b>			
Food Services	\$ 160,542		\$ 160,542
Classroom Materials and Fees	2,664	\$ 890	3,554
Extracurricular Activities		100,136	100,136
Total operating cash receipts	<u>163,206</u>	<u>101,026</u>	<u>264,232</u>
<b>Operating cash disbursements:</b>			
Personal Services	55,220	598	55,818
Employees Retirement and Insurance	26,951	80	27,031
Purchased Services	12,077		12,077
Supplies and Materials	92,420		92,420
Other Operating Expenses		107,636	107,636
Total operating cash disbursements	<u>186,668</u>	<u>108,314</u>	<u>294,982</u>
Operating loss	<u>(23,462)</u>	<u>(7,288)</u>	<u>(30,750)</u>
<b>Non-operating cash receipts:</b>			
Intergovernmental receipts	25,814		25,814
Earnings on Investments	85		85
Miscellaneous	48	1,943	1,991
Total non-operating cash receipts	<u>25,947</u>	<u>1,943</u>	<u>27,890</u>
Net cash receipts over (under) cash disbursements	2,485	(5,345)	(2,860)
Fund cash balances, July 1	<u>82,928</u>	<u>38,213</u>	<u>121,141</u>
<b>Fund cash balances, June 30</b>	<b><u>\$ 85,413</u></b>	<b><u>\$ 32,868</u></b>	<b><u>\$ 118,281</u></b>
Reserve for encumbrances, December 31	<u>\$ 30</u>	<u>\$ 8,033</u>	<u>\$ 8,063</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash receipts:</b>					
Property tax and other local taxes	\$ 1,199,303	\$ 14,453	\$ 120,909		\$ 1,334,665
Intergovernmental	2,208,378	148,865	21,455	\$ 676,681	3,055,379
Tuition	462,277				462,277
Earnings on investments	98,560	3,850		9,254	111,664
Transportation Fees	12,132				12,132
Extracurricular Activities		67,781			67,781
Classroom Materials and Fees	21,167				21,167
Revenue from Intermediate Sources		4,280			4,280
Miscellaneous	36,575	6,563			43,138
Total cash receipts	<u>4,038,392</u>	<u>245,792</u>	<u>142,364</u>	<u>685,935</u>	<u>5,112,483</u>
<b>Cash disbursements:</b>					
Instruction					
Regular	1,898,769				1,898,769
Special	168,216	64,679			232,895
Vocational Education	213,819	4,280			218,099
Other Instruction	4,490				4,490
Supporting Services					
Pupils	121,465	1,172			122,637
Instructional Staff	117,565	18,086			135,651
Board of Education	105,720	431			106,151
Administration	421,780				421,780
Fiscal Services	60,492				60,492
Operation and Maintenance of Plant	476,702	32,434		591,132	1,100,268
Pupil Transportation	197,534				197,534
Central	4,774	5,000			9,774
Non-Instructional Services	762	1,400			2,162
Extracurricular Activities	89,792	86,271			176,063
Facilities Acquisition and Construction				196,732	196,732
Debt Service:					
Repayment of Debt	80,531	37,193	128,833		246,557
Total cash disbursements	<u>3,962,411</u>	<u>250,946</u>	<u>128,833</u>	<u>787,864</u>	<u>5,130,054</u>
Total cash receipts over/(under) cash disbursements	75,981	(5,154)	13,531	(101,929)	(17,571)
<b>Other financing receipts/disbursements:</b>					
Transfers-In	152,048				152,048
Transfers-Out	(152,048)				(152,048)
Refund of Prior Year Receipts	(1,013)				(1,013)
Total other financing receipts/(disbursements)	<u>(1,013)</u>	<u>-</u>			<u>(1,013)</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	74,968	(5,154)	13,531	(101,929)	(18,584)
Fund cash balances, July 1 (Restated)	1,805,463	143,965	152,131	176,339	2,277,898
Fund cash balances, June 30	<u>\$ 1,880,431</u>	<u>\$ 138,811</u>	<u>\$ 165,662</u>	<u>\$ 74,410</u>	<u>\$ 2,259,314</u>
Reserves for encumbrances, December 31	<u>\$ 80,305</u>	<u>\$ 3,710</u>		<u>\$ 179,337</u>	<u>\$ 263,352</u>

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

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating cash receipts:</b>			
Food Services	\$ 154,595		\$ 154,595
Classroom Materials and Fees	1,850	\$ 938	2,788
Extracurricular Activities		109,964	109,964
	<u>156,445</u>	<u>110,902</u>	<u>267,347</u>
<b>Operating cash disbursements:</b>			
Personal Services	49,032	282	49,314
Employees Retirement and Insurance	26,805	42	26,847
Purchased Services	10,242		10,242
Supplies and Materials	82,229		82,229
Other Operating Expenses		109,824	109,824
	<u>168,308</u>	<u>110,148</u>	<u>278,456</u>
Operating income/(loss)	<u>(11,863)</u>	<u>754</u>	<u>(11,109)</u>
<b>Non-operating cash receipts:</b>			
Intergovernmental receipts	31,050		31,050
Earnings on Investments	76		76
Miscellaneous	78	171	249
	<u>31,204</u>	<u>171</u>	<u>31,375</u>
Net cash receipts over cash disbursements	19,341	925	20,266
Fund cash balances, July 1	<u>63,587</u>	<u>37,288</u>	<u>100,875</u>
<b>Fund cash balances, June 30</b>	<b><u>\$ 82,928</u></b>	<b><u>\$ 38,213</u></b>	<b><u>\$ 121,141</u></b>
Reserve for encumbrances, December 31	<u>\$ 2,727</u>	<u>\$ 8,626</u>	<u>\$ 11,353</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008  
(Continued)

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District currently operates one instructional building. The District employs 18 non-certified and 38 certified (including administrative) full-time and part-time employees to provide services to approximately 469 students in grades K through 12 and various community groups.

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

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

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008  
(Continued)

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

The District participates in two jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 9 and 19 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Millstream Joint Vocational School  
Northwest Ohio Area Computer Services Cooperative

Public Entity Risk Pool:

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

**B. Fund Accounting**

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

PROPRIETARY FUND TYPE

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008  
(Continued)

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

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency funds.

**C. Basis of Accounting**

The District's financial statements are prepared using the regulatory basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008  
(Continued)

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

**E. Cash and Investments**

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

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

During 2009 and 2008, the District invested in nonnegotiable certificates of deposit and Certificates of Deposit Account Registry Services (CDARS). Investments are reported at cost.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008  
(Continued)

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

**L. Long-Term Obligations**

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

**M. Interfund Transactions**

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

**N. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

**NOTE 3 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 – RESTATEMENT OF FUND BALANCE**

The beginning balance of the Capital Projects Fund was restated since the escrow account was inadvertently excluded from the fund balance as of June 30, 2007. The addition of the escrow account had the following effect on the District's Capital Projects fund balance as it was previously reported as of June 30, 2007:

	Capital Projects Fund Type
Fund Balance as previously reported 6/30/07	<u>\$173,861</u>
Reclassification of fund balance	<u>2,478</u>
Fund Balance as restated at 7/1/07	<u><u>\$176,339</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

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

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**NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2008, \$1,901,092 of the District's bank balance of \$2,408,527 and at June 30, 2009, \$764,099 of the District's bank balance of \$2,418,283 was exposed to custodial credit risk because it was uninsured and collateralized with pooled securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**NOTE 6 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2009 and 2008 as follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,190,717	\$4,267,782	\$77,065
Special Revenue	239,342	228,216	(11,126)
Debt Service	146,421	152,956	6,535
Capital Projects	179,335	523	(178,812)
Enterprise	187,600	189,153	1,553
Total	\$4,943,415	\$4,838,630	(\$104,785)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,880,387	\$4,386,214	\$494,173
Special Revenue	238,810	204,910	33,900
Debt Service	125,342	125,248	94
Capital Projects	251,267	106,579	144,688
Enterprise	190,216	186,698	3,518
Total	\$5,686,022	\$5,009,649	\$676,373

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**NOTE 6 – BUDGETARY ACTIVITY – (Continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,825,682	\$4,190,440	\$364,758
Special Revenue	254,766	245,792	(8,974)
Debt Service	137,112	142,364	5,252
Capital Projects	799,078	685,935	(113,143)
Enterprise	177,515	187,649	10,134
Total	\$5,194,153	\$5,452,180	\$258,027

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,862,634	\$4,195,777	\$666,857
Special Revenue	273,865	254,656	19,209
Debt Service	132,029	128,833	3,196
Capital Projects	972,939	967,201	5,738
Enterprise	188,180	171,035	17,145
Total	\$6,429,647	\$5,717,502	\$712,145

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2009 and 2008 represent the collection of calendar years 2008 and 2007 taxes. Real property taxes received in calendar year 2009 and 2008 were levied after April 1, 2008 and 2007, respectively, on the assessed values as of January 1, 2008 and 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2009 and 2008 represent the collection of calendar year 2008 and 2007 taxes, respectively. Public utility real and tangible personal property taxes received in calendar year 2009 and 2008 became a lien on December 31, 2007 and 2006, respectively, were levied after April 1, 2008 & 2007, respectively, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2009 and 2008 (other than public utility property) represent the collection of calendar year 2008 and 2007 taxes, respectively. Tangible personal property taxes received in calendar year 2009 and 2008 were levied after April 1, 2008 and 2007, respectively, on the value as of December 31, 2008 and 2007, respectively. Tangible personal property

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**NOTE 7 – PROPERTY TAXES - (Continued)**

is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2009 and 2008, are available to finance fiscal year 2009 and 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTE 8 - INCOME TAXES**

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

**NOTE 9 - RISK MANAGEMENT**

**A. Risk Pool Membership**

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 90 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General liability
- Commercial liability
- School Leaders Errors and Omissions
- Sexual Misconduct
- Theft, Forgery, Employee Dishonesty
- Commercial umbrella; and
- Vehicle.

The District contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The District's contributions cover deductible losses, loss fund contribution, insurance costs, and administration cost.

The District paid \$32,225 in premiums to the pool for fiscal year 2008 coverage and the District paid \$29,783 in premiums to the pool for fiscal year 2009 coverage.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.  
OSBA Building  
8050 North High Street  
Columbus, Ohio 43235-6483

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**NOTE 9 - RISK MANAGEMENT - (Continued)**

**B. Employee Medical Benefits**

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

**C. Workers' Compensation**

For fiscal year 2009 and 2008 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

A. State Teachers Retirement System

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

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

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (Continued)**

may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a DCP member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal years ended June 30, 2009 and June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal year 2009 and 2008 was 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2009 and June 30, 2008, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

A. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board

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**NOTE 11 - POSTEMPLOYMENT BENEFITS – (Continued)**

authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.

**B. School Employees Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employee Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans, as well as, a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with the Internal Revenue Code Section 401h. Active employees do not contribute to the Health Care Plan, Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**NOTE 12 - 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.

**NOTE 13 – DEBT**

Debt outstanding at June 30, 2009 was as follows:

	Principal Outstanding 06/30/09	Interest Rate
General Obligation Bonds		
2000 School Improvement Bonds	\$ 902,696	5.98%
OSFC Lease Purchase	453,000	5.375%
Computer Capital Lease - Teacher Computer	13,640	6.50%
Computer Capital Lease - Engineering Lab	12,354	6.19%
Blue Bird Financial Bus Lease	110,891	4.29%
<i>Total Long-Term Obligations</i>	<u><u>\$ 1,492,581</u></u>	

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**NOTE 13 – DEBT– (Continued)**

During the 2000 fiscal year, the District issued general obligation bonds to provide funds for the construction of facilities. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Under the basis of accounting used by the District, unmatured obligations of the District are not recorded as liabilities on the financial statements. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 6.53 (average) 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). The total estimated cost of the building project was \$12,474,606, of which OSFC paid \$10,603,119.

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

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
2010	\$ 64,478	\$ 52,782	\$ 117,260
2011	64,478	48,872	113,350
2012	64,478	45,081	109,559
2013	64,478	41,054	105,532
2014	64,479	37,144	101,623
2015 - 2019	322,391	127,156	449,547
2020 - 2023	257,914	31,328	289,242
Total	<u>\$ 902,696</u>	<u>\$ 383,417</u>	<u>\$ 1,286,113</u>

**NOTE 14 – LEASE PURCHASE AGREEMENT**

Columbus Regional Airport Authority Lease - OSBA

On February 27, 2003, the District entered into a \$510,000 lease-purchase agreement with the Columbus Regional Airport Authority to provide additional funds to the construction budget approved by the Ohio School Facilities Commission to fund the construction of a new K-12 facility. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2008, the District made principal payments of \$10,000 and interest/fees payments of \$24,580 on the lease-purchase agreement and in fiscal year 2009, the District made principal payments of \$10,000 and interest/fees payments of \$24,176 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2009.

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**NOTE 14 – LEASE PURCHASE AGREEMENT – (Continued)**

Year Ending June 30	Principal	Interest/fees	Total
2010	\$ 11,000	\$ 1,984	\$ 12,984
2011	11,000	23,488	34,488
2012	12,000	22,993	34,993
2013	12,000	22,440	34,440
2014	13,000	21,883	34,883
2015 - 2019	76,000	98,917	174,917
2020 - 2024	97,000	76,976	173,976
2025 - 2029	127,000	47,566	174,566
2030 - 2032	94,000	10,550	104,550
Total	<u>\$ 453,000</u>	<u>\$ 326,797</u>	<u>\$ 779,797</u>

**NOTE 15 – CAPITAL LEASES**

A. Computers

1) On March 31, 2006, the District entered into a \$28,607 lease-purchase agreement with GE Capital to purchase computer equipment. The source of revenue to fund the principal and interest payments was to be derived from the Rural Education Achievement Program (REAP) Federal Grant. During fiscal year 2008, the District made principal payments of \$8,829 and interest payments of \$706 which paid off the lease in full.

2) On January 15, 2008, the District entered into a \$40,975 lease-purchase agreement with Apple Inc. to purchase computer equipment for teacher stations. The source of revenue to fund the principal and interest payments was to be derived from general operating revenues of the District. During fiscal year 2008, the District made principal payments of \$14,539 and during fiscal year 2009, the District made principal payments of \$12,797 and interest payments of \$1,742 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2009.

Year Ending June 30	Principal	Interest	Total
2010	\$ 13,640	\$ 899	\$ 14,539

3) On June 30, 2008, the District entered into a \$37,108 lease-purchase agreement with Apple Inc. to purchase computer equipment for engineering lab. The source of revenue to fund the principal and interest payments was to be derived from general operating revenues of the District. During fiscal year 2008, the District made principal payments of \$13,119 and during fiscal year 2009, the District made principal payments of \$11,634 and interest payments of \$1,485 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2009.

Year Ending June 30	Principal	Interest	Total
2010	\$ 12,354	\$ 765	\$ 13,119

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**NOTE 15 – CAPITAL LEASES – (Continued)**

B. Fitness Equipment

On November 25, 2003, the District entered into a \$221,940 lease-purchase agreement with Key Municipal Finance to purchase fitness equipment and curriculum from the National School Fitness Foundation. The source of revenue to fund the principal and interest payments was to be derived from the School Fitness Foundation, but with recent events is derived from general operating revenues of the District. The lease was amended on June 14, 2004, to extend the lease and require lower payments. During fiscal year 2008, the District made principal payments of \$44,327 and interest payments of \$1,624 and during fiscal year 2009, the District made principal payments of \$18,967 and interest payments of \$179 on the lease-purchase agreement, which paid off the lease in full.

C. Student Transportation Buses

On October 6, 2008, the District entered into a \$151,070 lease-purchase agreement with Blue Bird Financial Services to purchase two 84 passenger buses from Cardinal Bus Sales. The source of revenue to fund the principal and interest payments was to be derived from the general operating revenues of the District. During fiscal year 2009, the District made principal payments of \$40,179 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2009.

Year Ending June 30	Principal	Interest	Total
2010	\$ 35,422	\$ 4,757	\$ 40,179
2011	36,942	3,237	40,179
2012	<u>38,527</u>	<u>1,652</u>	<u>40,179</u>
Total	<u>\$ 110,891</u>	<u>\$ 9,646</u>	<u>\$ 120,537</u>

**NOTE 16 - SET ASIDE REQUIREMENTS**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. Amounts remaining in the budget stabilization set aside represent certain bureau of workers compensation refunds required to be set aside for specific uses as authorized by the Board of Education.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2008.

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**NOTE 16 - SET ASIDE REQUIREMENTS– (Continued)**

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2007	\$21,340	\$34,906	\$10,306
Current Year Set Aside Requirement	80,399	80,399	
Current Year Offsets		(14,453)	
Qualifying Cash Disbursements	(78,206)	(100,852)	
Set Aside Reserve Balance June 30, 2008	<u>\$23,533</u>	<u></u>	<u>\$10,306</u>

The total reserve balance for set asides at the end of the fiscal year was \$33,839.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2009.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2008	\$23,533		\$10,306
Current Year Set Aside Requirement	80,135	\$80,135	
Current Year Offsets		(14,379)	
Qualifying Cash Disbursements	(73,359)	(65,756)	
Set Aside Reserve Balance June 30, 2009	<u>\$30,309</u>	<u></u>	<u>\$10,306</u>

The total reserve balance for set asides at the end of the fiscal year was \$40,615.

**NOTE 17 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

The District had the following contractual commitments outstanding at June 30, 2009, related to construction projects undertaken by the District:

Contractor	Amount
Beilharz	\$ 5,428
Kirk & Blum	5,283
Schnippel	108,592
Total	<u>\$ 119,303</u>

**NOTE 18 – CONTINGENT LIABILITIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009 and 2008.

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**NOTE 18 – CONTINGENT LIABILITIES– (Continued)**

**B. Litigation**

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

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

A. Northwest Ohio Area Computer Services Cooperative

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

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. During fiscal years 2009 and 2008, the District paid \$11,400 annually to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Millstream Joint Vocational School

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

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# Mary Taylor, CPA

Auditor of State

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

Miller City-New Cleveland Local School District  
Putnam County  
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, Putnam County, (the District) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 2, 2009 wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain internal control matters that we reported to the District's management in a separate letter dated November 2, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 2, 2009

MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2009 AND 2008

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

FINDING NUMBER 2009-001

**Noncompliance Citation**

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

**Ohio Administrative Code §117-2-03(B)** requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures which are material, however, the amounts cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Officials' Response**

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

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2009-001.
2007-002	Ohio Revised Code § 5705.41 (B) for expenditures being greater than appropriations in certain funds.	Yes	
2007-003	Material Weakness regarding monitoring of financial statements.	Yes	



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 10, 2007.
2. We read the policy, except as noted, it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

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- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) The policy does not have a requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 2, 2009



**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**NOVEMBER 19, 2009**