

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

MICHAEL SIEBENECK, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Miller City-New Cleveland Local School District, Putnam County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 29, 2015

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

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Julian & Grube, Inc.
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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Miller City-New Cleveland Local School District, Putnam County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Miller City-New Cleveland Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Miller City-New Cleveland Local School District, Putnam County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the Miller City-New Cleveland Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As described in Note 3 to the financial statements during fiscal 2014, the Miller City-New Cleveland Local School District elected to change its financial presentation to a cash basis of accounting comparable to the requirements of *Government Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion & Analysis presented on pages 3 - 11 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of the Miller City-New Cleveland Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Miller City-New Cleveland Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 16, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the Miller City-New Cleveland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, which was the first year the District has prepared their financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- The total net cash position of the District decreased \$109,608 or 4.19% from fiscal year 2013.
- General cash receipts accounted for \$3,832,937 or 74.64% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,302,321 or 25.36% of total governmental activities cash receipts.
- The District had \$5,244,866 in cash disbursements related to governmental activities; \$1,302,321 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily grants and entitlements not restricted to specific programs) of \$3,832,937 were not adequate to provide for these programs.
- The District's only major fund is the general fund. The general fund had cash receipts of \$4,503,152 in 2014. The cash disbursements of the general fund, totaled \$4,594,817 in 2014. The general fund's cash balance decreased \$91,665 or 4.24% from 2013 to 2014.

Using this Basic Financial Statements (BFS)

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there is one major governmental fund, the general fund.

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2014?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include the District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 12-13 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund. The analysis of the District's major governmental funds begins on page 9.

Governmental Funds

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

The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 14-15 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 16 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds are a private-purpose trust fund and two agency funds. The fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-39 of this report.

The District as a Whole

The District prepared financial statements for fiscal year 2013 on the regulatory basis, which did not include a statement of net position or statement of activities. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

The table below provides a summary of the District's net position at June 30, 2014.

	Governmental Activities <u>2014</u>
<u>Assets</u>	
Equity in pooled cash and cash equivalents	\$ 2,505,205
Total assets	<u>2,505,205</u>
<u>Net Cash Position</u>	
Restricted	444,264
Unrestricted	<u>2,060,941</u>
Total net cash position	<u>\$ 2,505,205</u>

Over time, net cash position can serve as a useful indicator of an entity's financial position. At June 30, 2014, total net cash position of the District was \$2,505,205. A portion of the District's net position, \$444,264, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,060,941 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below shows the change in net cash position for the District for the fiscal year-ended June 30, 2014.

	Change in Net Cash Position
	Governmental Activities <u>2014</u>
Cash Receipts:	
Program cash receipts:	
Charges for services and sales	\$ 858,773
Operating grants and contributions	<u>443,548</u>
Total program cash receipts	<u>1,302,321</u>
General cash receipts:	
Property taxes	992,661
Income taxes	627,312
Payments in lieu of taxes	5,730
Unrestricted grants and entitlements	2,197,912
Investment earnings	4,089
Other	<u>5,233</u>
Total general cash receipts	<u>3,832,937</u>
Total cash receipts	<u>\$ 5,135,258</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Governmental Activities <u>2014</u>
Cash Disbursements:	
Instruction:	
Regular	\$ 2,326,677
Special	320,638
Vocational	241,439
Support services:	
Pupil	136,711
Instructional staff	198,685
Board of education	57,875
Administration	290,911
Fiscal	18,595
Operations and maintenance	765,716
Pupil transportation	253,282
Central	590
Operation of non-instructional services:	
Food service operations	186,944
Other non-instructional services	52,932
Extracurricular	207,740
Debt service:	
Principal retirement	137,927
Interest and fiscal charges	<u>48,204</u>
Total cash disbursements	<u>5,244,866</u>
Change in net cash position	(109,608)
Net cash position at beginning of year	<u>2,614,813</u>
Net cash position at end of year	<u>\$ 2,505,205</u>

Governmental Activities

Governmental net cash position was \$2,505,205 at June 30, 2014; total governmental disbursements of \$5,244,866 were partially offset by program receipts of \$1,302,321 and general receipts of \$3,832,937. Program receipts supported 24.83% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 74.45% of total governmental receipts. Real estate property is reappraised every six years.

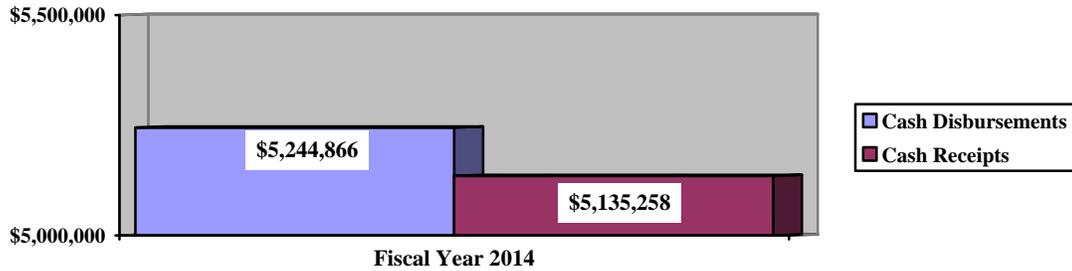
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$2,888,754 or 55.07% of total governmental disbursements for fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities receipts and disbursements for fiscal year 2014.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The table below shows the total cost of services and the net cost of services (e.g. the cost of those services supported by general revenues of the District) for fiscal year 2014:

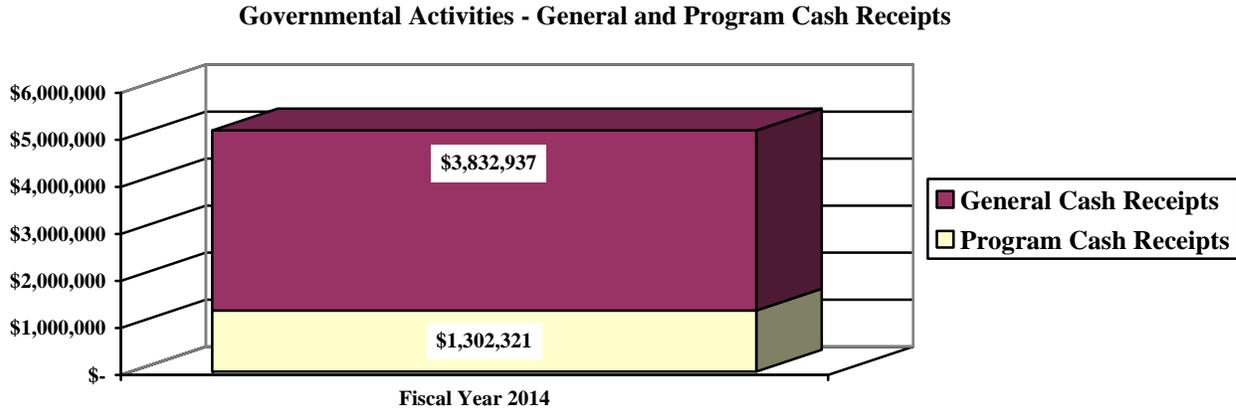
	Governmental Activities	
	Total Cost of Services	Net Cost of Services
	2014	2014
Cash disbursements:		
Instruction:		
Regular	\$ 2,326,677	\$ 1,743,657
Special	320,638	122,164
Vocational	241,439	161,922
Support services:		
Pupil	136,711	109,456
Instructional staff	198,685	110,295
Board of education	57,875	57,875
Administration	290,911	290,911
Fiscal	18,595	14,667
Operations and maintenance	765,716	759,666
Pupil transportation	253,282	223,536
Central	590	590
Operation of non-instructional services:		
Food service operations	186,944	(2,487)
Other non instruction services	52,932	51,933
Extracurricular	207,740	112,229
Debt service:		
Principal retirement	137,927	137,927
Interest and fiscal charges	48,204	48,204
Total	<u>\$ 5,244,866</u>	<u>\$ 3,942,545</u>

The dependence upon general cash receipts for governmental activities is apparent; with 70.19% of instruction cash disbursements supported through taxes and other general cash receipts during 2014. For all governmental activities, general receipts support is 75.17%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The graph below presents the District's governmental activities receipts for fiscal year 2014.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At June 30, 2014, the District's governmental funds reported a combined cash fund balance of \$2,505,205, which is \$109,608 lower than last year's total of \$2,614,813. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and June 30, 2013, for all major and nonmajor governmental funds. The ending June 30, 2013 balances were restated due to fund reclassifications as described in Note 3.B.

	Fund Cash Balance <u>June 30, 2014</u>	Fund Cash Balance <u>June 30, 2013</u>	<u>(Decrease)</u>
General	\$ 2,067,887	\$ 2,159,552	\$ (91,665)
Other nonmajor governmental funds	<u>437,318</u>	<u>455,261</u>	<u>(17,943)</u>
Total	<u>\$ 2,505,205</u>	<u>\$ 2,614,813</u>	<u>\$ (109,608)</u>

General Fund

The general fund, the District's major fund, had cash receipts of \$4,503,152 in fiscal year 2014. The cash disbursements of the general fund, totaled \$4,594,817 in fiscal year 2014. The general fund's cash balance decreased \$91,665 or 4.24% from fiscal year 2013 to fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table that follows assists in illustrating the cash receipts of the general fund. Certain 2013 amounts have been reclassified to conform to current years presentation.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 1,506,599	\$ 1,428,808	5.44 %
Payment in lieu of taxes	5,730	6,303	(9.09) %
Tuition	554,706	497,636	11.47 %
Earnings on investments	4,089	5,014	(18.45) %
Miscellaneous	66,418	62,448	6.36 %
Intergovernmental	<u>2,365,610</u>	<u>2,298,944</u>	2.90 %
Total	<u>\$ 4,503,152</u>	<u>\$ 4,299,153</u>	4.75 %

The District's increase in taxes was due to increases in income tax collections. The District's increase in tuition was due to increases in open enrollment. All other cash receipts remained comparable to fiscal year 2013.

The table that follows assists in illustrating the cash disbursements of the general fund. Certain 2013 amounts have been reclassified to conform to current years presentation.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 2,793,594	\$ 2,662,248	4.93 %
Support services	1,542,940	1,786,300	(13.62) %
Operation of non instruction services	51,933	148	34,989.86 %
Extracurricular	116,888	117,809	(0.78) %
Principal retirement	62,927	57,357	9.71 %
Interest and fiscal charges	<u>26,535</u>	<u>22,161</u>	19.74 %
Total	<u>\$ 4,594,817</u>	<u>\$ 4,646,023</u>	(1.10) %

Support services decreased 13.62 percent due primarily to decreases in administration expenditures. Operation of non-instruction services increased \$51,785 due to increases in shared services, fiscal charges and food service charges. All other cash disbursements remained comparable to fiscal year 2013.

Budgeting Highlights - General Fund

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2014, the District amended its general fund budget. For the general fund, final budgeted receipts and other financing sources were \$4,566,409, which was \$196,457 higher than the original budgeted receipts and other financing sources of \$4,369,952. Actual receipts and other financing sources for fiscal 2014 were \$4,707,602 which was \$141,193 more than the final budgeted receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

General fund original budgeted disbursements and other financing uses of \$4,717,284 were increased to \$5,173,116 in the final budgeted disbursements. The actual budget basis disbursement for fiscal year 2014 totaled \$4,905,173, which was \$267,943 less than the final budgeted disbursements.

Capital Assets and Debt Administration

Capital Assets

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

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2014 and 2013.

	Governmental Activities 2014	(Restated) Governmental Activities 2013
General obligation refunding bonds	\$ 520,000	\$ 595,000
Capital appreciation bonds	8,739	8,739
Accreted interest	30,881	22,260
OSFC lease purchase	394,000	407,000
Bus/computer lease purchases	<u>86,902</u>	<u>136,829</u>
Total long-term obligations	<u>\$ 1,040,522</u>	<u>\$ 1,169,828</u>

Current Financial Related Activities

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Siebeneck, Treasurer, Miller City-New Cleveland Local School District, 200 North Main Street, Miller City, Ohio 45864.

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,505,205
Total assets.	2,505,205
 Net cash position:	
Restricted for:	
Debt service.	316,600
Classroom facilities maintenance	40,589
Locally funded programs	44
Student activities	46,063
Other purposes	40,968
Unrestricted	2,060,941
Total net cash position.	\$ 2,505,205

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Cash</u>
		<u>Disbursements</u>	<u>Charges for</u>	<u>Disbursements) Cash</u>
		<u>Services and Sales</u>	<u>Operating Grants</u>	<u>Receipts and Changes in</u>
			<u>and Contributions</u>	<u>Net Cash Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 2,326,677	\$ 583,020	\$ -	\$ (1,743,657)
Special	320,638	-	198,474	(122,164)
Vocational	241,439	-	79,517	(161,922)
Support services:				
Pupil	136,711	-	27,255	(109,456)
Instructional staff	198,685	-	88,390	(110,295)
Board of education	57,875	-	-	(57,875)
Administration	290,911	-	-	(290,911)
Fiscal	18,595	777	3,151	(14,667)
Operations and maintenance	765,716	6,050	-	(759,666)
Pupil transportation	253,282	17,007	12,739	(223,536)
Central	590	-	-	(590)
Operation of non-instructional services:				
Other non-instructional services	52,932	-	999	(51,933)
Food service operations	186,944	157,703	31,728	2,487
Extracurricular activities	207,740	94,216	1,295	(112,229)
Debt service:				
Principal retirement	137,927	-	-	(137,927)
Interest and fiscal charges	48,204	-	-	(48,204)
Total governmental activities	\$ 5,244,866	\$ 858,773	\$ 443,548	(3,942,545)
General cash receipts:				
Property taxes levied for:				
General purposes				879,287
Debt service				97,881
Special revenue				15,493
Income taxes levied for:				
General purposes				627,312
Payments in lieu of taxes				5,730
Grants and entitlements not restricted to specific programs				2,197,912
Investment earnings				4,089
Miscellaneous				5,233
Total general revenues				3,832,937
Change in net cash position				(109,608)
Net cash position at beginning of year				2,614,813
Net cash position at end of year				\$ 2,505,205

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash			
and cash equivalents.	\$ 2,067,887	\$ 437,318	\$ 2,505,205
Total assets	\$ 2,067,887	\$ 437,318	\$ 2,505,205
Fund cash balances:			
Restricted:			
Debt service	\$ -	\$ 316,600	\$ 316,600
Classroom facilities maintenance . . .	-	40,589	40,589
Food service operations	-	40,968	40,968
Other purposes.	-	44	44
Extracurricular activities	-	46,063	46,063
Assigned:			
Student instruction	42,872	-	42,872
Student and staff support.	63,883	-	63,883
Extracurricular activities	699	-	699
School supplies	2,077	-	2,077
Subsequent year's appropriations	94,785	-	94,785
Unassigned (deficit)	1,863,571	(6,946)	1,856,625
Total cash fund balances	\$ 2,067,887	\$ 437,318	\$ 2,505,205

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 879,287	\$ 113,374	\$ 992,661
Income taxes	627,312	-	627,312
Payment in lieu of taxes	5,730	-	5,730
Tuition	554,706	-	554,706
Transportation fees	17,007	-	17,007
Earnings on investments	4,089	42	4,131
Charges for services	-	157,703	157,703
Extracurricular	5,420	85,179	90,599
Classroom materials and fees	28,314	-	28,314
Rental income	6,050	-	6,050
Contributions and donations	3,617	-	3,617
Other local revenues	6,010	1,315	7,325
Intergovernmental - state	2,361,865	36,359	2,398,224
Intergovernmental - federal	3,745	238,134	241,879
Total cash receipts	<u>4,503,152</u>	<u>632,106</u>	<u>5,135,258</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	2,326,542	135	2,326,677
Special	225,613	95,025	320,638
Vocational	241,439	-	241,439
Support services:			
Pupil	109,456	27,255	136,711
Instructional staff	111,539	87,146	198,685
Board of education	57,397	478	57,875
Administration	290,911	-	290,911
Fiscal	15,444	3,151	18,595
Operations and maintenance	704,321	61,395	765,716
Pupil transportation	253,282	-	253,282
Central	590	-	590
Operation of non-instructional services:			
Other non-instructional services	51,933	999	52,932
Food service operations	-	186,944	186,944
Extracurricular activities	116,888	90,852	207,740
Debt service:			
Principal retirement	62,927	75,000	137,927
Interest and fiscal charges	26,535	21,669	48,204
Total expenditures	<u>4,594,817</u>	<u>650,049</u>	<u>5,244,866</u>
Net change in fund cash balances	(91,665)	(17,943)	(109,608)
Fund cash balances at beginning of year (restated)	<u>2,159,552</u>	<u>455,261</u>	<u>2,614,813</u>
Fund cash balances at end of year	<u>\$ 2,067,887</u>	<u>\$ 437,318</u>	<u>\$ 2,505,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 872,063	\$ 869,376	\$ 879,287	\$ 9,911
Income taxes	588,290	626,373	627,312	939
Tuition	478,408	531,713	554,706	22,993
Transportation fees	16,004	15,952	17,007	1,055
Earnings on investments	4,979	4,967	3,943	(1,024)
Extracurricular	5,417	5,400	5,420	20
Classroom materials and fees	26,001	25,922	25,934	12
Rental income	6,460	6,442	6,050	(392)
Other local revenues	6,692	11,658	10,963	(695)
Intergovernmental - state	2,232,218	2,225,000	2,361,865	136,865
Intergovernmental - federal	11	-	3,745	3,745
Total budgetary basis receipts	<u>4,236,543</u>	<u>4,322,803</u>	<u>4,496,232</u>	<u>173,429</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	2,474,162	2,308,875	2,339,605	(30,730)
Special	189,532	174,545	225,613	(51,068)
Vocational	275,892	254,076	269,390	(15,314)
Support services:				
Pupil	120,358	110,841	110,915	(74)
Instructional staff	127,517	133,090	116,238	16,852
Board of education	73,737	67,906	59,161	8,745
Administration	424,102	390,567	295,309	95,258
Fiscal	45,350	41,764	16,253	25,511
Operations and maintenance	360,189	796,776	740,428	56,348
Pupil transportation	281,808	313,399	264,791	48,608
Central	5,984	5,511	590	4,921
Operation of non-instructional services	6,608	75,155	51,933	23,222
Extracurricular activities	118,109	108,770	114,115	(5,345)
Debt service:				
Principal	60,158	64,610	63,519	1,091
Interest and fiscal charges	26,754	26,058	25,943	115
Total budgetary basis disbursements	<u>4,590,260</u>	<u>4,871,943</u>	<u>4,693,803</u>	<u>178,140</u>
Excess of budgetary basis expenditures over budgetary basis receipts	<u>(353,717)</u>	<u>(549,140)</u>	<u>(197,571)</u>	<u>351,569</u>
Other financing sources (uses):				
Transfers in	101,173	211,370	211,370	-
Transfers (out)	(127,024)	(301,173)	(211,370)	89,803
Sale of capital assets	32,236	32,236	-	(32,236)
Total other financing sources (uses)	<u>6,385</u>	<u>(57,567)</u>	<u>-</u>	<u>57,567</u>
Net change in fund cash balance	(347,332)	(606,707)	(197,571)	409,136
Fund cash balance at beginning of year	1,905,203	1,905,203	1,905,203	-
Prior year encumbrances appropriated	249,711	249,711	249,711	-
Fund cash balance at end of year	<u>\$ 1,807,582</u>	<u>\$ 1,548,207</u>	<u>\$ 1,957,343</u>	<u>\$ 409,136</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents . .	\$ 153,068	\$ 42,779
Net cash position:		
Held in trust for scholarships	153,068	-
Held for student activities	-	42,779
Total net cash position.	\$ 153,068	\$ 42,779

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 367
Gifts and contributions	7,099
Total additions	7,466
Deductions:	
Scholarships awarded	6,400
Change in net position	1,066
Net position at beginning of year	152,002
Net position at end of year	\$ 153,068

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 15 non-certified and 38 certified (including administrative) full-time and part-time employees to provide services to approximately 408 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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. These organizations are:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is 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 year 2014, the District paid \$21,341 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Millstream Career and Technology District

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.

PUBLIC ENTITY RISK POOL

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Putnam County School Insurance Group

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 claims review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

OSBA Workers' Compensation Group Rating Plan

For fiscal year 2014, the District participated in the Ohio School Boards Association/Ohio Association of School Business Officials Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following is the District's major governmental fund:

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to disbursements for principal and interest.

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The District has no proprietary funds.

FIDUCIARY FUND TYPES

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Funds for which the District is acting in an agency capacity are classified as agency funds. The District's agency funds account for student activities.

C. Basis of Presentation

Government-wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

D. Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

E. Budgetary Process

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. Although the legal level of budgetary control was established at the fund level of disbursements, the District has elected to present the general fund budgetary statement comparison at the fund and function level. Budgetary allocations at the fund level are made by the Treasurer.

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

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

F. Cash and Cash Equivalents

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

During 2014, the District invested in nonnegotiable certificates of deposit and Certificates of Deposit Account Registry Services (CDARS). Investments are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$4,089, which includes \$923 assigned from other funds.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2014, the District had no investments.

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

L. Interfund Transactions

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

M. Net Cash Position

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

N. Fund Balance

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The District had neither transaction for fiscal year 2014.

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. 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 a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Change in Basis of Accounting

In prior years, the District prepared its financial statements on a regulatory basis of accounting. For fiscal year 2014, the District revised its financial presentation to the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Rather than presenting a separate column for each fund type, the District now presents entity wide statements and also statements with a separate column for each major fund with all other funds combined in a separate column.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)

The restatement due to the implementation of GASB Statement No. 34 had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental	Proprietary
Fund balance as previously reported	\$ 2,157,995	\$ 416,780	\$ 2,574,775	\$ 40,038
Fund reclassifications:				
Food service	-	38,481	38,481	(38,481)
Uniform school supplies	1,557	-	1,557	(1,557)
Total fund reclassifications	1,557	38,481	40,038	(40,038)
Restated fund balance at July 1, 2013	\$ 2,159,552	\$ 455,261	\$ 2,614,813	\$ -

For fiscal year 2014, the District has also implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1 or 2) above and repurchase agreements secured by such obligations, provided that investments in such securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$2,000 in undeposited cash on hand which is included on the financial statements as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$2,699,052. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$1,552,694 of the District’s bank balance of \$2,714,009 was exposed to custodial risk as discussed below, while \$1,161,315 was covered by FDIC.

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

C. Investments

As of June 30, 2014, the District had no investments.

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments reported in the note above to cash as reported on the statement of net position as of June 30, 2014:

	<u>Carrying Value</u>
<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,699,052
Cash on hand	<u>2,000</u>
Total	<u>\$ 2,701,052</u>
	<u>Carrying Value</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 2,505,205
Private-purpose trust funds	153,068
Agency fund	<u>42,779</u>
Total	<u>\$ 2,701,052</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison schedule presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (197,571)
Funds budgeted elsewhere **	1,414
Adjustment for encumbrances	104,346
Unposted interest	146
Cash basis	<u>\$ (91,665)</u>

** As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies, public school support and unclaimed funds.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 46,739,740	96.12	\$ 46,875,500	96.14
Public utility personal	<u>1,888,050</u>	<u>3.88</u>	<u>1,881,110</u>	<u>3.86</u>
Total	<u>\$ 48,627,790</u>	<u>100.00</u>	<u>\$ 48,756,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.80		\$33.80	

NOTE 7 - INCOME TAXES

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

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2014, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 for single occurrence and aggregate limit and a waived deductible. Vehicles have no deductible for both comprehensive and collision and are covered for property and automobile liability insurance in the amount of \$2,000,000. An additional excess liability policy of \$10,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$31,319,441 limit and a waived deductible. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - 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, 2014 the District participated in the Ohio School Boards Association / Compmanagement Workers' Compensation Group Retrospective Rating Program. The Group Retrospective Rating Program is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower associated claims costs. It is similar in concept to Group Rating, as employers are evaluated as if the group was one big organization. However, with this program, organizations continue to pay their own individual premium but have the opportunity to receive retrospective premium adjustments (refunds or assessments based on the performance of the group) at the end of each of the three evaluation periods performed by the Ohio Bureau of Workers' Compensation (BWC).

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

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$53,975, \$52,110 and \$53,512, respectively; 81.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$255,900, \$264,706 and \$266,830, respectively; 83.25 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$19,526 made by the District and \$15,342 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$7,442, \$636 and \$9,636, respectively; 81.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$3,131, \$2,944 and \$3,160, respectively; 81.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,685, \$20,362 and \$20,525, respectively; 83.25 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - OTHER EMPLOYEE BENEFITS

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

NOTE 12 - DEBT

Debt outstanding at June 30, 2014 was as follows:

<u>Description</u>	(Restated)			<u>Balance 06/30/14</u>	<u>Amount Due in One Year</u>
	<u>Balance 06/30/13</u>	<u>Proceeds</u>	<u>Retirements</u>		
2010 School Facilities Construction and Improvement Bonds Advance Refunding	\$ 595,000	\$ -	\$ (75,000)	\$ 520,000	\$ 75,000
2010 Capital Appreciation Bonds	8,739	-	-	8,739	-
Accreted Interest	22,260	8,621	-	30,881	-
OSFC Lease Purchase	407,000	-	(13,000)	394,000	14,000
Bus/Computer Lease Purchases	136,829	-	(49,927)	86,902	42,828
Total Debt Obligations	<u>\$ 1,169,828</u>	<u>\$ 8,621</u>	<u>\$ (137,927)</u>	<u>\$ 1,040,522</u>	<u>\$ 131,828</u>

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

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

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

Series 2010 advance refunding general obligation bonds

On July 27, 2010, the District issued \$773,739 in School Facilities Construction and Improvement Bonds to advance refund the current interest Series 2000-B General Obligation Bonds. The refunded debt is considered defeased (in-substance).

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - DEBT - (Continued)

On July 27, 2010, the District issued \$773,739 in School Facilities Construction and Improvement Advance Refunding Bonds. Of the \$773,739 bonds issued, \$455,000 are serial bonds with interest rates ranging from 1% to 3% and a final maturity December 1, 2017, \$310,000 are term bonds with an interest rate of 3.25% maturing December 1, 2022, and \$8,739 are capital appreciation bonds with a maturity value of \$70,000 on December 1, 2016. The bonds were used to refund the 2000 School Improvement Bonds. The net proceeds of \$796,844 (after payment of \$34,235 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 Series bonds. As a result, a portion of the 2000 Series bonds is considered defeased and have been removed from the above schedule. The District completed the advance refunding to reduce its total debt service payments by \$309,391 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$85,527.

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

Fiscal Year Ending June 30,	Current Interest			Capital Appreciation Bonds		
	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 75,000	\$ 17,106	\$ 92,106	\$ -	\$ -	\$ -
2016	70,000	15,387	85,387	-	-	-
2017	-	14,513	14,513	8,739	61,261	70,000
2018	65,000	13,456	78,456	-	-	-
2019	65,000	11,100	76,100	-	-	-
2020 - 2023	245,000	19,300	264,300	-	-	-
Total	<u>\$ 520,000</u>	<u>\$ 90,862</u>	<u>\$ 610,862</u>	<u>\$ 8,739</u>	<u>\$ 61,261</u>	<u>\$ 70,000</u>

NOTE 13 - LEASE PURCHASE AGREEMENTS

Columbus Regional Airport Authority Lease - OSBA

On February 27, 2003, the District entered into a \$510,000 lease-purchase agreement with the Columbus Regional Airport Authority to provide additional funds to the construction budget approved by the Ohio School Facilities Commission to fund the construction of a new K-12 facility. During fiscal year 2014, the District made principal payments of \$13,000 and interest/fees payments of \$21,434 on the lease-purchase agreement, which are paid from the General fund. Final maturity is January 1, 2032.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - LEASE PURCHASE AGREEMENTS - (Continued)

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2014.

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 14,000	\$ 20,473	\$ 34,473
2016	14,000	19,778	33,778
2017	15,000	19,052	34,052
2018	16,000	18,266	34,266
2019	17,000	17,428	34,428
2020 - 2024	97,000	72,885	169,885
2025 - 2029	127,000	43,205	170,205
2030 - 2032	<u>94,000</u>	<u>7,797</u>	<u>101,797</u>
Total	<u>\$ 394,000</u>	<u>\$ 218,884</u>	<u>\$ 612,884</u>

Student Transportation Buses

On December 27, 2012, the District entered into a \$173,876 lease-purchase agreement with DeLage Landen Public Finance, LLC. to purchase two 84 passenger buses from Blue Bird Capital Services. During 2014, the District made a principal payment of \$41,617 paid from the General fund. Future principal and interest payments are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 42,828	\$ 2,529	\$ 45,357
2016	<u>44,074</u>	<u>1,283</u>	<u>45,357</u>
Total	<u>\$ 86,902</u>	<u>\$ 3,812</u>	<u>\$ 90,714</u>

Apple Computers

On May 18, 2012, the District entered into a \$24,930 lease-purchase agreement with Apple, Inc./GE Capital to purchase computers/ipads. During fiscal year 2014, the District made principal and interest payments of \$8,310 and \$1,227, respectively, paid from the General fund, which retired the lease.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	96,613
Current year qualifying expenditures	(258,547)
Current year offsets	<u>(31,805)</u>
Total	<u>\$ (193,739)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

NOTE 15 - CONTINGENT LIABILITIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

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



Julian & Grube, Inc.
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Miller City-New Cleveland Local School District, Putnam County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Miller City-New Cleveland Local School District's basic financial statements and have issued our report thereon dated October 16, 2015, wherein we noted the Miller City-New Cleveland Local School District uses a special purpose framework other than generally accepted accounting principles. In addition, as disclosed in Note 3, the Miller City-New Cleveland Local School District implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Miller City-New Cleveland Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Miller City-New Cleveland Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2014-001.

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

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

Purpose of this Report

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



Julian & Grube, Inc.
October 16, 2015

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

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2014-001

Noncompliance Citation

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The District prepared its financial statements using the cash basis of accounting 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, and fund equities, and disclosures that, while material, cannot be determined at this time.

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

We recommend that the District file their financial report in accordance with GAAP. The District may find it beneficial to consult with an accounting firm to assist them in compiling their financial statements in accordance with GAAP.

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

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2013-MCNC-001	Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The District prepared its annual financial report in accordance with the regulatory basis of accounting. The District did not prepare their financial statements in the required format.	Partially	The District prepared its annual financial report in the OCBOA format; however, still not the required GAAP basis. Repeated as finding 2014-001.



Dave Yost • Auditor of State

MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2016**