

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

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, 2014 through June 30, 2015. 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.
Serving Ohio Local Governments

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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, each 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, 2015, 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, each major fund, and the aggregate remaining fund information of the Miller City-New Cleveland Local School District, Putnam County, Ohio, as of June 30, 2015, 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.

Other Matters

Other Information

We applied no procedures to the Management's Discussion & Analysis presented on pages 3 - 11 and the Other Information - Net Pension Liability and Pension Contributions presented on pages 45 - 51 of the report, and accordingly, we express no opinion or any other assurance on them.

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, 2015**

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, 2015. 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 2015 are as follows:

- The total net cash position of the District increased \$232,992 or 9.30% from fiscal year 2014.
- General cash receipts accounted for \$3,960,853 or 74.71% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,340,630 25.29% of total governmental activities cash receipts.
- The District had \$5,068,491 in cash disbursements related to governmental activities; \$1,340,630 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 \$3,960,853 were adequate to provide for these programs.
- The District's major funds are the general fund and the bond retirement fund. The general fund had cash receipts of \$4,699,205 in 2015. The cash disbursements of the general fund, totaled \$4,498,682 in 2015. The general fund's cash balance increased \$200,523 or 9.70% from 2014 to 2015.
- The bond retirement fund had cash receipts of \$128,599 in 2015. The cash disbursements of the bond retirement fund, totaled \$95,163 in 2015. The bond retirement fund's cash balance increased \$33,436 or 10.56% from 2014 to 2015.

Using this Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

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

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2015?" 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, 2015**

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 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 funds are the general fund and bond retirement 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, 2015

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and two agency funds. The basic 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 19-44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the District's net pension liability. The other information can be found on pages 45 through 51 of this report.

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2015 and June 30, 2014

	Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 2,738,197	\$ 2,505,205
Total assets	<u>2,738,197</u>	<u>2,505,205</u>
<u>Net Cash Position</u>		
Restricted	471,228	444,264
Unrestricted	<u>2,266,969</u>	<u>2,060,941</u>
Total net cash position	<u>\$ 2,738,197</u>	<u>\$ 2,505,205</u>

The total net cash position of the District increased \$232,992 which represents a 9.30% increase from fiscal year 2014. A portion of the District's net cash position, \$471,228, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,266,969 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, 2015**

The table below shows the change in net cash assets for fiscal years 2015 and 2014.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 873,916	\$ 858,773
Operating grants and contributions	<u>466,714</u>	<u>443,548</u>
Total program cash receipts	<u>1,340,630</u>	<u>1,302,321</u>
General cash receipts:		
Property taxes	1,184,174	992,661
Income taxes	634,523	627,312
Payments in lieu of taxes	6,901	5,730
Unrestricted grants and entitlements	2,131,283	2,197,912
Investment earnings	3,770	4,089
Other	<u>202</u>	<u>5,233</u>
Total general cash receipts	<u>3,960,853</u>	<u>3,832,937</u>
Total cash receipts	<u>\$ 5,301,483</u>	<u>\$ 5,135,258</u>

Property tax cash receipts increased \$191,513 due to increases in valuation. All other receipts remained consistent with the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Change in Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
	Cash Disbursements:	
Instruction:		
Regular	\$ 2,262,859	\$ 2,326,677
Special	352,296	320,638
Vocational	312,251	241,439
Support services:		
Pupil	161,922	136,711
Instructional staff	195,358	198,685
Board of education	61,906	57,875
Administration	300,124	290,911
Fiscal	5,283	18,595
Operations and maintenance	504,993	765,716
Pupil transportation	276,253	253,282
Central	890	590
Operation of non-instructional services:		
Food service operations	183,849	186,944
Other non-instructional services	53,100	52,932
Extracurricular	221,988	207,740
Debt service:		
Principal retirement	131,828	137,927
Interest and fiscal charges	<u>43,591</u>	<u>48,204</u>
 Total cash disbursements	 <u>5,068,491</u>	 <u>5,244,866</u>
 Change in net cash position	 232,992	 (109,608)
 Net cash position at beginning of year	 <u>2,505,205</u>	 <u>2,614,813</u>
 Net cash position at end of year	 <u>\$ 2,738,197</u>	 <u>\$ 2,505,205</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$232,992; total governmental disbursements of \$5,068,491 were offset by program receipts of \$1,340,630 and general receipts of \$3,960,853. Program receipts supported 26.45% 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 74.64% of total governmental receipts. Real estate property is reappraised every six years.

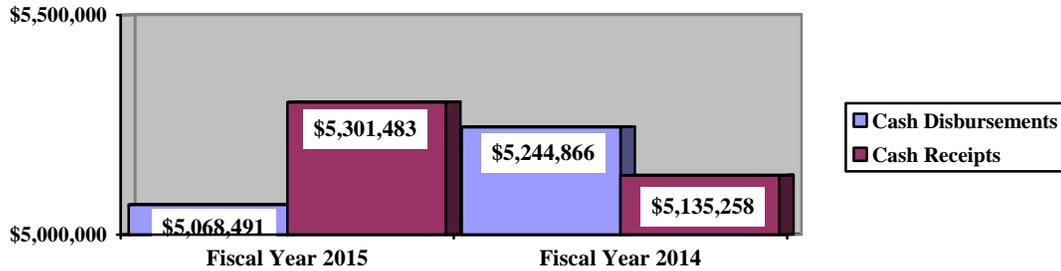
The largest disbursement of the District is for instructional programs. Instructional disbursements totaled \$2,927,406 or 57.76% of total governmental disbursements for fiscal year 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2015 and 2014.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services, which identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Cash disbursements:				
Instruction:				
Regular	\$ 2,262,859	\$ 1,669,555	\$ 2,326,677	\$ 1,743,657
Special	352,296	102,274	320,638	122,164
Vocational	312,251	193,726	241,439	161,922
Support services:				
Pupil	161,922	161,922	136,711	109,456
Instructional staff	195,358	144,633	198,685	110,295
Board of education	61,906	61,906	57,875	57,875
Administration	300,124	300,124	290,911	290,911
Fiscal	5,283	5,283	18,595	14,667
Operations and maintenance	504,993	487,478	765,716	759,666
Pupil transportation	276,253	247,376	253,282	223,536
Central	890	890	590	590
Operation of non-instructional services:				
Food service operations	183,849	(14,938)	186,944	(2,487)
Other non instruction services	53,100	53,100	52,932	51,933
Extracurricular	221,988	139,113	207,740	112,229
Debt service:				
Principal retirement	131,828	131,828	137,927	137,927
Interest and fiscal charges	43,591	43,591	48,204	48,204
Total	<u>\$ 5,068,491</u>	<u>\$ 3,727,861</u>	<u>\$ 5,244,866</u>	<u>\$ 3,942,545</u>

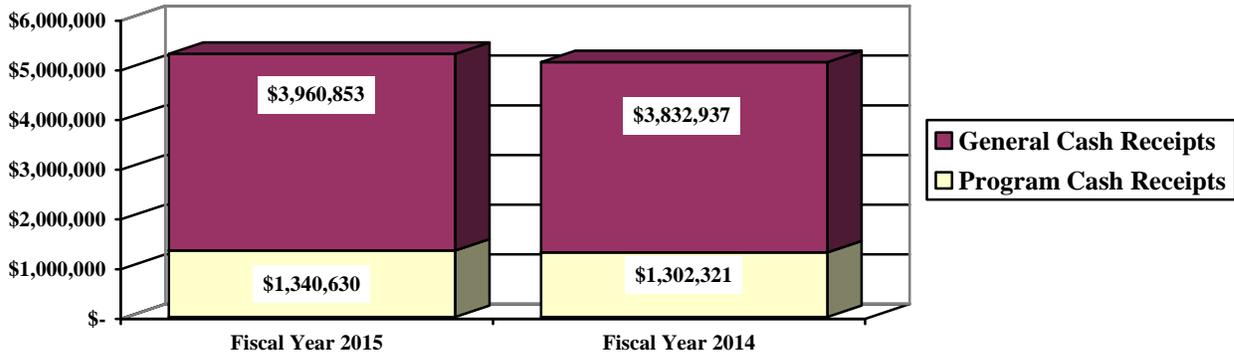
**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The dependence upon general cash receipts for governmental activities is apparent; with 73.55% of cash disbursements supported through taxes and other general cash receipts during 2015.

The graph below presents the District's governmental activities cash receipts for fiscal years 2015 and 2014.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

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

Governmental Funds

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

At June 30, 2015, the District's governmental funds reported a combined cash fund balance of \$2,738,197, which is \$232,992 higher than last year's total of \$2,505,205. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2015</u>	Fund Cash Balance <u>June 30, 2014</u>	Increase (Decrease)
General	\$ 2,268,410	\$ 2,067,887	\$ 200,523
Bond retirement	350,036	316,600	33,436
Other nonmajor governmental funds	<u>119,751</u>	<u>120,718</u>	<u>(967)</u>
Total	<u>\$ 2,738,197</u>	<u>\$ 2,505,205</u>	<u>\$ 232,992</u>

General Fund

The general fund, the District's major fund, had cash receipts of \$4,699,205 in fiscal year 2015. The cash disbursements of the general fund, totaled \$4,498,682 in fiscal year 2015. The general fund's cash balance increased \$200,523 or 9.70% from fiscal year 2014 to fiscal year 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Bond Retirement Fund

The bond retirement fund had receipts of \$128,599 in 2015. The cash disbursements of the building fund totaled \$95,163 in 2015. The bond retirement fund's cash balance increased \$33,436 or 10.56% from fiscal year 2014 to fiscal year 2015.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 1,689,796	\$ 1,506,599	12.16 %
Payment in lieu of taxes	6,901	5,730	20.44 %
Tuition	564,398	554,706	1.75 %
Earnings on investments	3,770	4,089	(7.80) %
Miscellaneous	73,806	66,418	11.12 %
Intergovernmental	<u>2,360,534</u>	<u>2,365,610</u>	(0.21) %
Total	<u>\$ 4,699,205</u>	<u>\$ 4,503,152</u>	4.35 %

The District's increase in taxes was due to increases in property taxes as a result of increased valuations. The District's increase in miscellaneous receipts was due primarily to increases in rental income. All other cash receipts remained comparable to fiscal year 2014.

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 2,808,764	\$ 2,793,594	0.54 %
Support services	1,426,201	1,542,940	(7.57) %
Operation of non instruction services	53,100	51,933	2.25 %
Extracurricular	130,361	116,888	11.53 %
Principal retirement	56,828	62,927	(9.69) %
Interest and fiscal charges	<u>23,428</u>	<u>26,535</u>	(11.71) %
Total	<u>\$ 4,498,682</u>	<u>\$ 4,594,817</u>	(2.09) %

Support services decreased 7.57 percent due primarily to decreases in administration expenditures. Extracurricular disbursements increased 11.53 percent due to increases in sports oriented activities. All other cash disbursements remained comparable to fiscal year 2014.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

During the course of fiscal year 2015, the District amended its general fund budget several times. For the general fund, final budgeted receipts were \$4,713,659, which was \$9,470 less than the original budgeted receipts of \$4,723,129. Actual receipts for fiscal 2015 were \$4,693,103 which was \$20,556 less than the final budgeted receipts.

General fund original budgeted disbursements and other financing uses of \$4,922,220 were increased to \$4,928,522 in the final budgeted disbursements. The actual budget basis disbursement for fiscal year 2014 totaled \$4,621,467, which was \$307,055 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, 2015 and 2014.

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
General obligation refunding bonds	\$ 445,000	\$ 520,000
Capital appreciation bonds	8,739	8,739
Accreted interest	42,840	30,881
OSFC lease purchase	380,000	394,000
Capital lease	<u>44,074</u>	<u>86,902</u>
Total long-term obligations	<u>\$ 920,653</u>	<u>\$ 1,040,522</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 budgets in order to optimize the dollars available for educating the students it serves.

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

Contacting the District's Financial Management

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

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**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,738,197
Total assets.	2,738,197
 Net cash position:	
Restricted for:	
Classroom facilities maintenance	40,181
Debt service	350,036
Locally funded programs	2
Student activities	25,103
Other purposes	55,906
Unrestricted	2,266,969
Total net position	\$ 2,738,197

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, 2015

	Cash Disbursements	Program Cash Receipts		Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 2,262,859	\$ 593,304	\$ -	\$ (1,669,555)
Special	352,296	-	250,022	(102,274)
Vocational	312,251	-	118,525	(193,726)
Support services:				
Pupil	161,922	-	-	(161,922)
Instructional staff	195,358	-	50,725	(144,633)
Board of education	61,906	-	-	(61,906)
Administration	300,124	-	-	(300,124)
Fiscal	5,283	-	-	(5,283)
Operations and maintenance	504,993	17,515	-	(487,478)
Pupil transportation	276,253	14,975	13,902	(247,376)
Central	890	-	-	(890)
Operation of non-instructional services:				
Other non-instructional services	53,100	-	-	(53,100)
Food service operations	183,849	167,247	31,540	14,938
Extracurricular activities	221,988	80,875	2,000	(139,113)
Debt service:				
Principal retirement	131,828	-	-	(131,828)
Interest and fiscal charges	43,591	-	-	(43,591)
Total governmental activities	\$ 5,068,491	\$ 873,916	\$ 466,714	(3,727,861)

General cash receipts:

Property taxes levied for:	
General purposes	1,055,273
Debt service	113,016
Special revenue	15,885
Income taxes levied for:	
General purposes	634,523
Payments in lieu of taxes	6,901
Grants and entitlements not restricted to specific programs	2,131,283
Investment earnings	3,770
Miscellaneous	202
Total general cash receipts	3,960,853
Change in net cash position	232,992
Net cash position at beginning of year	2,505,205
Net cash position at end of year	\$ 2,738,197

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, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 2,268,410	\$ 350,036	\$ 119,751	\$ 2,738,197
Total assets	<u>\$ 2,268,410</u>	<u>\$ 350,036</u>	<u>\$ 119,751</u>	<u>\$ 2,738,197</u>
Fund cash balances:				
Restricted:				
Debt service	\$ -	\$ 350,036	\$ -	\$ 350,036
Classroom facilities maintenance	-	-	40,181	40,181
Food service operations	-	-	55,906	55,906
Other purposes	-	-	2	2
Extracurricular activities	-	-	25,103	25,103
Assigned:				
Student instruction	54,751	-	-	54,751
Student and staff support	76,826	-	-	76,826
Extracurricular activities	70	-	-	70
School supplies	2,571	-	-	2,571
Unassigned (deficit)	<u>2,134,192</u>	<u>-</u>	<u>(1,441)</u>	<u>2,132,751</u>
Total cash fund balances	<u>\$ 2,268,410</u>	<u>\$ 350,036</u>	<u>\$ 119,751</u>	<u>\$ 2,738,197</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 BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 1,055,273	\$ 113,016	\$ 15,885	\$ 1,184,174
Income taxes	634,523	-	-	634,523
Payment in lieu of taxes	6,901	-	-	6,901
Tuition	564,398	-	-	564,398
Transportation fees	14,975	-	-	14,975
Earnings on investments	3,770	-	18	3,788
Charges for services	-	-	167,247	167,247
Extracurricular	8,560	-	68,667	77,227
Classroom materials and fees	28,906	-	-	28,906
Rental income	17,515	-	-	17,515
Contributions and donations	3,648	-	800	4,448
Other local revenues	202	-	1,200	1,402
Intergovernmental - state	2,349,216	15,583	21,903	2,386,702
Intergovernmental - federal	11,318	-	197,959	209,277
Total cash receipts	<u>4,699,205</u>	<u>128,599</u>	<u>473,679</u>	<u>5,301,483</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	2,262,817	-	42	2,262,859
Special	233,696	-	118,600	352,296
Vocational	312,251	-	-	312,251
Support services:				
Pupil	161,922	-	-	161,922
Instructional staff	147,626	-	47,732	195,358
Board of education	61,464	-	442	61,906
Administration	300,124	-	-	300,124
Fiscal	5,283	-	-	5,283
Operations and maintenance	472,639	-	32,354	504,993
Pupil transportation	276,253	-	-	276,253
Central	890	-	-	890
Operation of non-instructional services:				
Other operation of non-instructional	53,100	-	-	53,100
Food service operations	-	-	183,849	183,849
Extracurricular activities	130,361	-	91,627	221,988
Debt service:				
Principal retirement	56,828	75,000	-	131,828
Interest and fiscal charges	23,428	20,163	-	43,591
Total cash disbursements	<u>4,498,682</u>	<u>95,163</u>	<u>474,646</u>	<u>5,068,491</u>
Net change in fund balances	200,523	33,436	(967)	232,992
Fund balances at beginning of year	<u>2,067,887</u>	<u>316,600</u>	<u>120,718</u>	<u>2,505,205</u>
Fund balances at end of year	<u>\$ 2,268,410</u>	<u>\$ 350,036</u>	<u>\$ 119,751</u>	<u>\$ 2,738,197</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, 2015

	<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	\$ 949,703	\$ 1,031,840	\$ 1,055,273	\$ 23,433
Income taxes.	675,563	658,677	634,523	(24,154)
Payment in lieu of taxes.	6,901	6,901	6,901	-
Tuition.	572,482	558,173	564,398	6,225
Transportation fees.	14,547	14,183	14,975	792
Earnings on investments	4,151	4,047	3,916	(131)
Extracurricular.	5,693	8,260	8,560	300
Classroom materials and fees	27,928	27,230	26,306	(924)
Rental income	6,516	6,353	17,515	11,162
Other local revenues	4,905	4,610	202	(4,408)
Intergovernmental - state	2,450,850	2,389,592	2,349,216	(40,376)
Intergovernmental - federal	3,890	3,793	11,318	7,525
Total revenues	<u>4,723,129</u>	<u>4,713,659</u>	<u>4,693,103</u>	<u>(20,556)</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	2,390,331	2,390,331	2,292,722	97,609
Special.	212,494	212,494	241,646	(29,152)
Vocational.	272,954	272,954	327,041	(54,087)
Support services:				
Pupil.	115,020	115,020	162,000	(46,980)
Instructional staff	120,368	120,368	171,417	(51,049)
Board of education	62,950	62,950	63,389	(439)
Administration.	302,611	302,611	311,308	(8,697)
Fiscal	17,487	17,487	5,301	12,186
Operations and maintenance.	782,374	782,374	508,229	274,145
Pupil transportation	244,730	244,730	276,790	(32,060)
Central.	637	637	890	(253)
Operation of non-instructional services	56,088	56,088	53,100	2,988
Extracurricular activities.	120,721	127,023	127,378	(355)
Debt service:				
Principal	68,601	68,601	56,828	11,773
Interest and fiscal charges.	28,018	28,018	23,428	4,590
Total expenditures	<u>4,795,384</u>	<u>4,801,686</u>	<u>4,621,467</u>	<u>180,219</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(72,255)</u>	<u>(88,027)</u>	<u>71,636</u>	<u>159,663</u>
Other financing uses:				
Transfers (out).	<u>(126,836)</u>	<u>(126,836)</u>	<u>-</u>	<u>126,836</u>
Total other financing uses	<u>(126,836)</u>	<u>(126,836)</u>	<u>-</u>	<u>126,836</u>
Net change in fund balance	(199,091)	(214,863)	71,636	286,499
Fund balance at beginning of year	1,957,343	1,957,343	1,957,343	-
Prior year encumbrances appropriated	104,346	104,346	104,346	-
Fund balance at end of year	<u>\$ 1,862,598</u>	<u>\$ 1,846,826</u>	<u>\$ 2,133,325</u>	<u>\$ 286,499</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, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 149,189	\$ 65,692
Net cash position:		
Held in trust for scholarships	149,189	-
Held for student activities	-	65,692
Total net cash position.	\$ 149,189	\$ 65,692

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, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 365
Gifts and contributions	3,406
Total additions	3,771
 Deductions:	
Scholarships awarded	7,650
Change in net position	(3,879)
Net position at beginning of year	153,068
Net position at end of year	\$ 149,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 19 non-certified and 36 certified (including administrative) full-time and part-time employees to provide services to approximately 407 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, 2015**

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 2015, the District paid \$25,922 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, 2015

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 2015, 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 are the District's major governmental funds:

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government in some manner for payment.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to disbursements for specified purposes other than debt service or capital projects.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPES

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

D. Basis of Accounting

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

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

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

E. Budgetary Process

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 2015, the District invested in nonnegotiable certificates of deposit. Investments are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$3,770, which includes \$865 assigned from other funds.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. At June 30, 2015, 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, 2015

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, 2015**

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 2015.

P. Pensions

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

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY & COMPLIANCE - Continued

B. Change in Accounting Principles

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the District's pension plan disclosures, as presented in Note 9 to the financial statements, and added other information which is presented on pages 45 - 51.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 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, 2015**

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, 2015

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, 2015, the carrying amount of all District deposits was \$2,951,078. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$2,221,778 of the District’s bank balance of \$2,972,089 was exposed to custodial risk as discussed below, while \$750,311 was covered by FDIC.

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

C. Investments

As of June 30, 2015, 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, 2015:

	<u>Carrying Value</u>
<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,951,078
Cash on hand	2,000
Total	<u>\$ 2,953,078</u>
	<u>Carrying Value</u>
<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 2,738,197
Private-purpose trust funds	149,189
Agency fund	<u>65,692</u>
Total	<u>\$ 2,953,078</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 71,636
Funds budgeted elsewhere **	1,089
Adjustment for encumbrances	127,944
Unposted interest	(146)
Cash basis	\$ 200,523

** 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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015

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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 46,875,500	96.14	\$ 62,738,930	96.88
Public utility personal	<u>1,881,110</u>	<u>3.86</u>	<u>2,022,910</u>	<u>3.12</u>
Total	<u>\$ 48,756,610</u>	<u>100.00</u>	<u>\$ 64,761,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.80		\$40.95	

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 2015, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability coverage with a \$15,000,000 single occurrence limit and \$17,000,000 aggregate and no deductible. Professional liability is protected at the level of \$15,000,000 for single occurrence and aggregate limit and a waived deductible. Vehicles have no deductible for both comprehensive and collision and are covered for property and automobile liability insurance in the amount of \$15,000,000. An additional excess liability policy of \$15,000,000 is also included.

Schools of Ohio Risk Sharing Authority holds the coverage for the blanket building and contents and boiler and machinery with a \$32,123,132 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, 2015

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, 2015 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

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - PENSION PLANS - (Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - PENSION PLANS - (Continued)

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$67,548 for fiscal year 2015.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - PENSION PLANS - (Continued)

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$261,067 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$710,607	\$4,578,563	\$5,289,170
Proportion of the net pension liability	0.01404100%	0.01882365%	

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - PENSION PLANS - (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$1,013,825	\$710,607	\$455,574

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - PENSION PLANS - (Continued)

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$6,554,712	\$4,578,563	\$2,907,406

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$8,319.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$7,453, \$7,442, and \$636, respectively. For fiscal year 2015, 92.43 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$19,685, and \$20,362 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 12 - DEBT

Debt outstanding at June 30, 2015 was as follows:

<u>Description</u>	<u>Balance</u> <u>06/30/14</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/15</u>	<u>Amount Due</u> <u>in One Year</u>
2010 School Facilities Construction and Improvement Bonds Advance Refunding	\$ 520,000	\$ -	\$ (75,000)	\$ 445,000	\$ 70,000
2010 Capital Appreciation Bonds	8,739	-	-	8,739	-
Accreted Interest	30,881	11,959	-	42,840	-
OSFC Lease Purchase	394,000	-	(14,000)	380,000	14,000
Capital Leases	86,902	-	(42,828)	44,074	44,074
Total Debt Obligations	<u>\$ 1,040,522</u>	<u>\$ 11,959</u>	<u>\$ (131,828)</u>	<u>\$ 920,653</u>	<u>\$ 128,074</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, 2015

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
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	65,000	8,500	73,500	-	-	-
2021 - 2023	180,000	10,800	190,800	-	-	-
Total	\$ 445,000	\$ 73,756	\$ 518,756	\$ 8,739	\$ 61,261	\$ 70,000

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 2015, the District made principal payments of \$14,000 and interest/fees payments of \$20,473 on the lease-purchase agreement.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015.

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	18,000	16,535	34,535
2021 - 2025	102,000	67,642	169,642
2026 - 2030	134,000	36,189	170,189
2031 - 2032	<u>64,000</u>	<u>3,521</u>	<u>67,521</u>
Total	<u>\$ 380,000</u>	<u>\$ 198,411</u>	<u>\$ 578,411</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 2015, the District made a principal payment of \$42,828. Future principal and interest payments are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 44,074</u>	<u>\$ 1,283</u>	<u>\$ 45,357</u>

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 14 - SET-ASIDES - (Continued)

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, 2014	\$ -
Current year set-aside requirement	79,617
Current year qualifying expenditures	(11,959)
Current year offsets	(32,388)
Prior year offset from bond proceeds	<u>(35,270)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<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, 2015.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District.

**OTHER INFORMATION - NET PENSION LIABILITY AND
PENSION CONTRIBUTIONS**

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS (1)

	2014	2013
District's proportion of the net pension liability	0.01404100%	0.01404100%
District's proportionate share of the net pension liability	\$ 710,607	\$ 834,973
District's covered-employee payroll	\$ 408,009	\$ 397,789
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.16%	209.90%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to fiscal year 2013 was unavailable.

Note: Amounts presented as of the District's measurement date which is the prior fiscal year.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS (1)

	2014	2013
District's proportion of the net pension liability	0.01882365%	0.01882365%
District's proportionate share of the net pension liability	\$ 4,578,563	\$ 5,453,954
District's covered-employee payroll	\$ 1,923,254	\$ 2,036,200
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	267.85%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

(1) Information prior to fiscal year 2013 was unavailable.

Note: Amounts presented as of the District's measurement date which is the prior fiscal year.

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 67,548	\$ 56,550	\$ 55,054	\$ 56,672
Contributions in relation to the contractually required contribution	<u>(67,548)</u>	<u>(56,550)</u>	<u>(55,054)</u>	<u>(56,672)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 512,504	\$ 408,009	\$ 397,789	\$ 421,353
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$ 56,037	\$ 57,608	\$ 41,852	\$ 39,786	\$ 37,719	\$ 36,359
<u>(56,037)</u>	<u>(57,608)</u>	<u>(41,852)</u>	<u>(39,786)</u>	<u>(37,719)</u>	<u>(36,359)</u>
<u>\$ -</u>					
\$ 445,800	\$ 425,465	\$ 425,325	\$ 405,153	\$ 353,174	\$ 343,658
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

LAST TEN FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 261,067	\$ 250,023	\$ 264,706	\$ 266,830	\$ 257,172
Contributions in relation to the contractually required contribution	<u>(261,067)</u>	<u>(250,023)</u>	<u>(264,706)</u>	<u>(266,830)</u>	<u>(257,172)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 1,864,764	\$ 1,923,254	\$ 2,036,200	\$ 2,052,538	\$ 1,978,246
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 260,984	\$ 246,729	\$ 240,045	\$ 233,360	\$ 224,630
<u>(260,984)</u>	<u>(246,729)</u>	<u>(240,045)</u>	<u>(233,360)</u>	<u>(224,630)</u>
<u>\$ -</u>				
\$ 2,007,569	\$ 1,897,915	\$ 1,846,500	\$ 1,795,077	\$ 1,727,923
13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO OTHER INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



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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, each 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, 2015, 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.

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 2015-001.

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, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

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, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2014-001	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 the other comprehensive basis of accounting, not the required GAAP basis.	No	Repeated as finding 2015-001

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Dave Yost • Auditor of State

MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2016**