

NEW MIAMI LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2015

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
New Miami Local School District
600 Seven Mile Ave
Hamilton, OH 45011

We have reviewed the *Independent Auditors' Report* of the New Miami Local School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., 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 New Miami 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

February 18, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

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 New Miami Local School District (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2015, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of net pension liability, schedules of contributions and the budgetary comparison information, as listed in the tables of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Miami Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of New Miami Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 New Miami Local School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District for the year ended June 30, 2015. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2015 are listed below:

- The assets and deferred outflows of resources the School District exceeded its liabilities and deferred inflows of resources at year-end by \$3.4 million. Of this amount, \$9.6 million is invested in capital assets, net of accumulated depreciation and related debt.
- In total, net position decreased by \$292,000.
- The School District had \$8.8 million in expenses related to governmental activities; only \$1.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$6.9 million, made up primarily of property and income taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance decreased by \$216,740 from \$3,419,934 at June 30, 2014 to \$3,203,194 at June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
Unaudited

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

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

Other information. In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding the budget of major funds and pension.

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Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net Position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2015 and 2014:

	<u>FY2015</u>	<u>FY2014</u>
Assets:		
Current and other assets	\$ 6,119,803	6,309,677
Capital assets	10,881,685	11,127,306
Total assets	<u>17,001,488</u>	<u>17,436,983</u>
Deferred outflows of resources	<u>769,031</u>	<u>613,753</u>
Liabilities:		
Long-term liabilities:		
Due more than one year:		
Net pension liability	8,958,165	10,646,485
Other long-term liabilities	1,608,613	1,858,865
Other liabilities	<u>982,916</u>	<u>850,565</u>
Total liabilities	<u>11,549,694</u>	<u>13,355,915</u>
Deferred inflows of resources	<u>2,848,627</u>	<u>1,030,623</u>
Net position:		
Net investment in capital assets	9,595,017	9,714,479
Restricted:		
For capital purposes	228,658	13,775
For debt service	95,808	130,153
For other purposes	328,708	368,893
Unrestricted (deficit)	<u>(6,875,993)</u>	<u>(6,563,102)</u>
Total net position	<u>\$ 3,372,198</u>	<u>3,664,198</u>

During 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$13,751,307 to \$3,664,198.

A significant portion of the School District's net position (\$9.6 million) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Primarily as a result of implementing GASB 68, the School District's unrestricted net position ended the fiscal year with a deficit balance of \$6.9 million.

Total assets decreased by 2.5%, while total liabilities, excluding net pension liability, decreased by 4.4%. The School District's equity in pooled cash and investments decreased during the fiscal year due to the negative change in net position, compared to a positive change experienced in the prior fiscal year. The School District did not have any large capital additions during the fiscal year resulting in a decrease in capital assets, as annual depreciation expense exceeded additions.

In fiscal year 2015, the School District's total liabilities, other than net pension liability, decreased mainly due to timing of payments and making its scheduled payments on outstanding bonds and leases. The decrease in net pension liability of \$1.7 million was due to State-legislated pension system reforms, such as phased in increases in employee contribution rates and changes in age and service requirements for retirement, that are being implemented over the next several years.

NEW MIAMI LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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B. Governmental Activities during fiscal year 2015

The following table presents a condensed summary of the School District's activities during fiscal year 2015 and 2014 and the resulting change in net position:

	<u>FY2015</u>	<u>FY2014</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 97,796	101,671
Operating grants and contributions	<u>1,586,209</u>	<u>1,531,992</u>
Total program revenues	<u>1,684,005</u>	<u>1,633,663</u>
General revenues:		
Property and income taxes	1,339,176	1,836,412
Grants and entitlements	5,431,376	5,024,145
Investment earnings	6,594	2,205
Miscellaneous	<u>80,165</u>	<u>93,855</u>
Total general revenues	<u>6,857,311</u>	<u>6,956,617</u>
Total revenues	<u>8,541,316</u>	<u>8,590,280</u>
Expenses:		
Instruction	5,010,026	4,719,901
Support services:		
Pupil	312,551	331,895
Instructional staff	246,565	71,406
Board of Education	121,587	51,790
Administration	754,835	812,655
Fiscal	198,328	190,229
Business	19,918	8,748
Operation and maintenance of plant	986,227	838,928
Pupil transportation	431,117	441,483
Central	28,229	-
Non-instructional services	154,794	166,201
Interest and fiscal charges	94,679	117,271
Food services	<u>474,460</u>	<u>488,683</u>
Total expenses	<u>8,833,316</u>	<u>8,239,190</u>
Change in net position	(292,000)	351,090
Beginning net position	3,664,198	13,400,217
<i>Restatement to implement GASB 68</i>	-	(10,087,109)
Ending net position	<u>\$ 3,372,198</u>	<u>3,664,198</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$559,376 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred outflows and inflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$409,526. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 8,833,316
Pension expense under GASB 68	(409,526)
2015 contractually required contributions	<u>636,495</u>
Adjusted 2015 program expenses	9,060,285
Total 2014 program expenses under GASB 27	<u>8,239,190</u>
Increase in program expenses not related to pension	<u>\$ 821,095</u>

Of the total governmental activities revenues of \$8,541,316, \$1,684,005 (20%) is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 20% (\$1,339,176) comes from property and income taxes and 79% (\$5,431,376) is from state funding. The School District's operations are reliant upon its property and income taxes and the State's foundation program.

In total, net position of the School District decreased by \$292,000, or approximately 8%. Total revenues only decreased by less than 1%. The School District experienced a decrease in property and income taxes of approximately \$497,000 due to decreases in the amount available for advance by the County Auditor and decreases in delinquent property taxes that were outstanding. This decrease was minimized by the increase in grants and entitlements, as the School District received an increased allocation of State-funded school foundation funding under the State's recently biennium budget.

The School District experienced increases in expenses, mainly in instruction, instructional staff and operation and maintenance of plant. Increases in instruction expenses was due to fiscal year 2015 being the first year that teachers received their step and percentage increases in three years. Instructional staff support service expenses increased due to the hiring of a curriculum director. Operation and maintenance of plant support service expenses increased due to increased repairs needed as buildings age, as well as the hiring of a security guard and resource officer.

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Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 19% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,010,026 but program revenue contributed to fund 18% of those costs. Thus, general revenues of \$4,103,148 were used to support of remainder of the instruction costs.

	Governmental Activities			
	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 5,010,026	906,878	18%	4,103,148
Support services	3,099,357	243,228	8%	2,856,129
Non-instructional services	154,794	58,184	38%	96,610
Food services	474,460	475,715	100%	(1,255)
Interest and fiscal charges	<u>94,679</u>	<u>-</u>	0%	<u>94,679</u>
Total	\$ <u>8,833,316</u>	<u>1,684,005</u>	<u>19%</u>	<u>7,149,311</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District's major governmental funds include the General Fund and the IDEA Part B Special Education Fund.

Assets of the General Fund comprise \$5,245,112 (83%) of the total \$6,298,894 governmental funds' assets. Fund balance at June 30, 2015 was \$3,203,194, with a fund balance of \$3,188,843 assigned to the subsequent year's appropriations and public school support. The General Fund experienced a \$216,740 decrease in fund balance, due to increases in expenditures previously discussed.

The IDEA Part B Special Education Fund is used to account for the Federal grants it receives to provide education to students with disabilities. The Fund's fund balance ended the fiscal year with a deficit balance of \$155,873, as the School District awaited release of Federal program funds from its pass-through, the Ohio Department of Education.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Overall, General Fund expenditures came in \$722,550 under the final budget due to conservative budgeting.

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Significant differences between the actual and final budgets exist due to the School District's budget methodology. The School District's budget is passed with expenditures and other uses equal to the estimated available resources. Thus, the School District "over budgets" expenditures and budgets for contingencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2015, the School District had invested in a broad range of capital assets, including land, buildings and equipment. During fiscal year 2015, the School District acquired equipment of approximately \$193,000, but incurred \$438,628 in depreciation expense, leading to the decrease in capital assets of approximately \$246,000. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY2015</u>	<u>FY2014</u>
Land	\$	428,932	428,932
Buildings and improvements		10,156,697	10,431,151
Equipment and furniture		<u>296,056</u>	<u>267,223</u>
Total	\$	<u><u>10,881,685</u></u>	<u><u>11,127,306</u></u>

Debt

During the year ended June 30, 2015, the School District made its regularly scheduled payments for general obligation bonds and leases. The total amount outstanding on bonds and leases was \$1,263,997 as of June 30, 2015. See Notes 11 and 12 to the financial statements for more detail.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the New Miami Local School District, 600 Seven Mile Avenue, Hamilton, Ohio 45011.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 4,105,583
Receivables:	
Taxes	1,617,729
Accounts	4,894
Intergovernmental	376,716
Supplies inventory	14,881
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>10,452,753</u>
Total assets	<u>17,001,488</u>
Deferred Outflows of Resources:	
Deferred charges on refunding	47,979
Pension	<u>721,052</u>
Total deferred outflows of resources	<u>769,031</u>
Liabilities:	
Accounts payable	226,096
Accrued wages and benefits	626,933
Intergovernmental payable	112,348
Accrued interest payable	17,539
Noncurrent liabilities:	
Due within one year	121,914
Due within more than one year:	
Net pension liability	8,958,165
Other amounts due more than one year	<u>1,486,699</u>
Total liabilities	<u>11,549,694</u>
Deferred Inflows of Resources:	
Property taxes levied for next fiscal year	1,225,600
Pension	<u>1,623,027</u>
Total deferred inflows of resources	<u>2,848,627</u>
Net Position:	
Net investment in capital assets	9,595,017
Restricted for:	
Capital projects	228,658
Debt service	95,808
Other purposes	328,708
Unrestricted (deficit)	<u>(6,875,993)</u>
Total net position	<u>\$ 3,372,198</u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,945,923	6,459	692,781	\$ (3,246,683)
Special education	816,167	-	174,366	(641,801)
Other	247,936	-	33,272	(214,664)
Support services:				
Pupil	312,551	-	2,958	(309,593)
Instructional staff	246,565	-	147,593	(98,972)
Board of Education	121,587	-	-	(121,587)
Administration	754,835	-	47,773	(707,062)
Fiscal	198,328	-	-	(198,328)
Business	19,918	-	-	(19,918)
Operation and maintenance of plant	986,227	-	44,904	(941,323)
Pupil transportation	431,117	-	-	(431,117)
Central	28,229	-	-	(28,229)
Non-instructional services:				
Extracurricular activities	154,794	58,184	-	(96,610)
Food service	474,460	33,153	442,562	1,255
Interest on long-term debt	94,679	-	-	(94,679)
Total Governmental Activities	\$ 8,833,316	97,796	1,586,209	(7,149,311)

General Revenues:

Property taxes, levied for general purposes	700,820
Property taxes, levied for debt services	91,582
Property taxes, levied for capital maintenance	16,039
Income taxes	530,735
Grants and entitlements not restricted to specific programs	5,431,376
Investment earnings	6,594
Miscellaneous	80,165
Total general revenues	6,857,311
Change in net position	(292,000)
Net position beginning of year - <i>restated see Note 18</i>	3,664,198
Net position end of year	\$ 3,372,198

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2015

	General	IDEA, Part B Special Education	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 3,610,327	-	495,256	4,105,583
Receivables:				
Taxes	1,439,501	-	178,228	1,617,729
Accounts	4,145	-	749	4,894
Intergovernmental	8,654	174,366	193,696	376,716
Materials and supplies inventory	3,394	-	11,487	14,881
Interfund receivable	179,091	-	-	179,091
Total assets	<u>5,245,112</u>	<u>174,366</u>	<u>879,416</u>	<u>6,298,894</u>
Liabilities:				
Accounts payable	184,133	-	41,963	226,096
Accrued wages and benefits	546,663	-	80,270	626,933
Intergovernmental payable	105,238	-	7,110	112,348
Interfund payable	-	155,873	23,218	179,091
Total liabilities	<u>836,034</u>	<u>155,873</u>	<u>152,561</u>	<u>1,144,468</u>
Deferred Inflows of Resources:				
Property taxes levied for next fiscal year	1,069,226	-	156,374	1,225,600
Unavailable revenue	136,658	174,366	139,332	450,356
Total deferred inflows of resources	<u>1,205,884</u>	<u>174,366</u>	<u>295,706</u>	<u>1,675,956</u>
Fund Balances:				
Nonspendable	3,394	-	11,487	14,881
Restricted	-	-	480,451	480,451
Assigned	3,188,843	-	-	3,188,843
Unassigned	10,957	(155,873)	(60,789)	(205,705)
Total fund balances	<u>3,203,194</u>	<u>(155,873)</u>	<u>431,149</u>	<u>3,478,470</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>5,245,112</u>	<u>174,366</u>	<u>879,416</u>	<u>6,298,894</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances \$ 3,478,470

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 10,881,685

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	1,104,997	
Premium on refunding bonds	70,650	
Accreted interest on bonds	134,923	
Compensated absences	139,043	
Lease-purchase agreement	159,000	
Accrued interest payable	<u>17,539</u>	(1,626,152)

Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds. 47,979

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 450,356

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pension	721,052	
Deferred inflows - pension	(1,623,027)	
Net pension liability	<u>(8,958,165)</u>	<u>(9,860,140)</u>

Net Position of Governmental Activities \$ 3,372,198

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2015

	General	IDEA, Part B Special Education	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,384,475	-	123,381	1,507,856
Tuition and fees	6,459	-	-	6,459
Interest	6,594	-	-	6,594
Intergovernmental	5,419,576	-	1,444,400	6,863,976
Charges for services	-	-	32,404	32,404
Other local revenues	78,465	-	59,884	138,349
Total revenues	<u>6,895,569</u>	<u>-</u>	<u>1,660,069</u>	<u>8,555,638</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,080,058	-	683,335	3,763,393
Special education	687,888	145,928	-	833,816
Other instruction	275,410	-	33,220	308,630
Support services:				
Pupil	312,575	-	3,708	316,283
Instructional staff	71,807	-	175,232	247,039
Board of Education	122,622	-	-	122,622
Administration	736,502	-	55,727	792,229
Fiscal	206,294	-	-	206,294
Business	19,918	-	-	19,918
Operation and maintenance of plant	954,449	-	46,950	1,001,399
Pupil transportation	436,596	-	-	436,596
Central	28,229	-	-	28,229
Non-instructional services:				
Extracurricular activities	101,565	-	53,652	155,217
Food services	-	-	477,031	477,031
Debt Service:				
Principal	28,297	-	94,840	123,137
Interest and fiscal charges	355	-	128,878	129,233
Total expenditures	<u>7,062,565</u>	<u>145,928</u>	<u>1,752,573</u>	<u>8,961,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(166,996)</u>	<u>(145,928)</u>	<u>(92,504)</u>	<u>(405,428)</u>
Other financing sources (uses):				
Transfers in	-	-	49,744	49,744
Transfers out	(49,744)	-	-	(49,744)
Total other financing sources (uses):	<u>(49,744)</u>	<u>-</u>	<u>49,744</u>	<u>-</u>
Net change in fund balance	(216,740)	(145,928)	(42,760)	(405,428)
Fund balance, beginning of year	3,419,934	(9,945)	473,909	3,883,898
Fund balance, end of year	\$ <u>3,203,194</u>	<u>(155,873)</u>	<u>431,149</u>	<u>3,478,470</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	(405,428)
<p>Amounts reported for governmental activities in the statement of activities are different because</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
Capital asset additions		193,007
Depreciation expense		(438,628)
<p>Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		123,137
<p>In the statement of activities, interest is accrued and accreted on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		31,532
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>		
Compensated absences		(10,540)
Amortization of bond premiums		9,420
Amortization of deferred amount on refunding		(6,398)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.</p>		
		(15,071)
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		636,495
<p>Except for amounts reported as deferred outflows or deferred inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		<u>(409,526)</u>
Change in Net Position of Governmental Activities	\$	<u>(292,000)</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2015

	Private Purpose Trusts	Agency Funds
ASSETS		
Equity in pooled cash	\$ 21,592	16,498
Accounts receivable	<u>1,000</u>	<u>-</u>
Total assets	<u><u>22,592</u></u>	<u><u>16,498</u></u>
LIABILITIES		
Accounts payable	1,982	-
Due to student groups	<u>-</u>	<u>16,498</u>
Total liabilities	<u><u>1,982</u></u>	<u><u>16,498</u></u>
NET POSITION		
Held in trust	\$ <u><u>20,610</u></u>	

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2015

	<u>Private Purpose Trusts</u>
Additions:	
Contributions	\$ <u>6,410</u>
Total additions	<u>6,410</u>
Deductions:	
Community gifts, awards and scholarships	<u>2,282</u>
Total deductions	<u>2,282</u>
Change in net position	4,128
Net position, beginning of year	<u>16,482</u>
Net position, end of year	\$ <u><u>20,610</u></u>

See accompanying notes to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District provides education for New Miami, City View Heights, Overpeck and Williamsdale. The School District was chartered in 1937 and currently operates one elementary school (K-6) and one junior-senior high school (7-12) with a total enrollment of approximately 770 students. The School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three organizations; two of which are defined as a jointly governed organization and one is an insurance purchasing pool. These organizations include the Butler Technology and Career Development Schools, the Southwestern Ohio Computer Association, and the Butler Health Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

B. Basis of Presentation

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the 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. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

Governmental funds focus 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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

IDEA Part B Special Education – This fund is used to account for the Federal grants used to provide public education to all children with disabilities.

Fiduciary funds report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. Agency funds used by the School District to account for student activities are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

D. Basis of Accounting – *continued*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property and income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred inflows of resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue and pension. Receivables for property taxes represent amounts that are measurable as of June 30, 2015, but are intended to finance fiscal year 2016 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension are reported on the government-wide statement of net position (see Note 8).

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

D. Basis of Accounting – *continued*

Deferred outflows of resources. In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources include deferred charge on refunding and pension. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension are reported on the government-wide statement of net position (see Note 8)

E. Cash

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$250 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

G. Capital Assets – *continued*

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method.

The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

J. Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net position.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

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

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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. The School District does not currently have any committed fund balances.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

L. Fund Balance – *continued*

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

M. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Estimates

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

O. Fund Deficit

At June 30, 2015, the following funds have a deficit fund balance:

IDEA Part B Special Education	\$ 155,873
Other Governmental Funds:	
Food Service	22,860
Public School Preschool	15,267
Title I	9
Improving Teacher Quality	22,653

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

2. DEPOSITS

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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to 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 or interest by the United States;

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2. DEPOSITS – *continued*

2. Bonds, notes, debentures, or any other obligations or securities issued by the 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$1,056,146 of the School District's bank balance of \$4,294,378 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

3. INCOME TAXES

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2015, the School District recorded income tax revenue of \$530,735 in the entity-wide financials and a receivable as of June 30, 2015 of \$209,843.

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of the prior January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 taxes revenue received in calendar year 2015 represent collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School 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 available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2015, was \$57,774 in the General Fund, and \$8,211 in Other Governmental Funds. The assessed values upon which fiscal year 2015 taxes were collected are:

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

4. PROPERTY TAXES – continued

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 45,727,250	94.11%	42,633,540	93.08%
Public Utilities Personal	2,863,010	5.89%	3,171,540	6.92%
Total Assessed Value	\$ 48,590,260	100.00%	45,805,080	100.00%

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Disposals	Balance 6/30/15
Governmental Activities				
Nondepreciable:				
Land	\$ 428,932	-	-	428,932
Depreciable:				
Buildings and improvements	13,722,653	-	-	13,722,653
Equipment and furniture	1,932,529	193,007	-	2,125,536
Subtotal	15,655,182	193,007	-	15,848,189
Totals at historical cost	16,084,114	193,007	-	16,277,121
Less accumulated depreciation:				
Buildings and improvements	3,291,502	274,454	-	3,565,956
Equipment and furniture	1,665,306	164,174	-	1,829,480
Total accumulated depreciation	4,956,808	438,628	-	5,395,436
Capital assets, net	\$ 11,127,306	(245,621)	-	10,881,685

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 430,829
Support services:	
Instructional staff	514
Operation and maintenance of plant	6,000
Food services	1,285
Total depreciation expense	\$ 438,628

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2015 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General fund	\$ 179,091	-	-	49,744
IDEA Part B Special Education	-	155,873	-	-
Other governmental funds	-	23,218	49,744	-
	\$ 179,091	179,091	49,744	49,744

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. RISK MANAGEMENT

The School 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. During fiscal year 2015, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2015, the School District participated in the Butler Health Plan, a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

8. PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

The net pension liability represents the School 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 School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

Age and service requirements for retirement are as follows:

Benefits	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% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$149,857 for fiscal year 2015. Of this amount, \$29,526 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 5 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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – continued

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 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$486,638 for fiscal year 2015. Of this amount, \$82,820 is recorded as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

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 School District's proportion of the net pension liability was based on the School 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 and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,509,477	\$7,448,688	\$8,958,165
Proportion of the Net Pension Liability	0.029826%	0.03062347%	
Pension Expense	\$83,978	\$325,548	\$409,526

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 12,847	\$ 71,710	\$ 84,557
School District's contributions subsequent of the measurement date	<u>149,857</u>	<u>486,638</u>	<u>636,495</u>
Total Deferred Outflows of Resources	<u>\$ 162,704</u>	<u>\$ 558,348</u>	<u>\$ 721,052</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 244,992</u>	<u>\$ 1,378,035</u>	<u>\$ 1,623,027</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

\$636,495 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	\$ (58,004)	\$ (326,582)	\$ (384,586)
2017	(58,004)	(326,582)	(384,586)
2018	(58,004)	(326,582)	(384,586)
2019	(58,133)	(326,579)	(384,712)
	<u>\$ (232,145)</u>	<u>\$ (1,306,325)</u>	<u>\$ (1,538,470)</u>

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%
Future Salary Increases, including Inflation	4.00% to 22.00%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stock	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.75%. 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%). 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 School 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%, 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%), or one percentage point higher (8.75%) than the current rate.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,153,575	\$1,509,477	\$967,735

Actuarial Assumptions - STRS

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:

Inflation	2.75%
Projected Salary Increases	2.75% at age 70 to 12.25% at age 20
Investment Rate of Return	7.75% net of investment expenses
COLA	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% 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' 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:

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

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. PENSION PLANS – *continued*

Discount Rate – The discount rate used to measure the total pension liability was 7.75% 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’ 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the School 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%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$10,663,609	\$7,448,688	\$4,729,947

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2015 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

9. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – The School 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.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

9. POSTEMPLOYMENT BENEFITS – *continued*

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% of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$15,250.

The School District's contributions for health care for the fiscal years June 30, 2015, 2014, and 2013 were \$9,000, \$1,000 and \$1,000, respectively. For fiscal year 2015, 80% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health 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 School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$32,000 and \$30,000, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

10. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 200 days for classified employees and teachers, and 253 days for administrators. Upon retirement, classified employee can receive payment for 25% of accrued, but unused sick leave up to a maximum of 50 days; teachers and administrators can receive payment for 30% of accrued, but unused sick leave up to a maximum of 55 days.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term liabilities during fiscal year 2015 were as follows:

	Principal Outstanding 7/1/14	Additions	Deletions	Principal Outstanding 6/30/15	Due Within One Year
Series 2000 improvement bonds	\$ 33,840	-	(33,840)	-	-
Series 2010 refunding bonds	1,129,997	-	(25,000)	1,104,997	65,503
Premium on refunding bonds	80,070	-	(9,420)	70,650	-
Accreted interest on bonds	180,370	40,713	(86,160)	134,923	-
Lease-purchase agreements	195,000	-	(36,000)	159,000	37,000
Capital lease	28,297	-	(28,297)	-	-
Compensated absences	211,291	31,663	(103,911)	139,043	19,411
Net pension liability:					
STRS	8,872,829	-	(1,424,141)	7,448,688	-
SERS	1,773,656	-	(264,179)	1,509,477	-
	<u>\$ 12,505,350</u>	<u>72,376</u>	<u>(2,010,948)</u>	<u>10,566,778</u>	<u>121,914</u>

On July 14, 2000, the School District issued voted Series 2000 general obligation school improvement bonds for the purpose of constructing a new building and improvements to the junior/senior high school building. The bonds were issued at interest rates ranging from 4.55% to 6% for a twenty-two year period with final maturity at December 1, 2022. On May 24, 2010, the School District issued Series 2010 school improvement refunding bonds to refund \$1,235,000 of the Series 2000 bonds. These bonds were issued at interest rates between 2.1% to 3.8% with final maturity at December 1, 2022 and will be retired from the debt service fund. The final payment on the remaining balance of the Series 2000 bonds was made during fiscal year 2015.

On August 13, 2009, the School District entered into a lease-purchase agreement in the amount of \$124,000 for football bleachers through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund and will mature in December 2018.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

11. LONG-TERM OBLIGATIONS – *continued*

In March 2004, the School District entered into a lease-purchase agreement in the amount of \$306,000 for school improvements through the Ohio Association of School Business Official's Leased Asset Program. The payments are made from the debt service fund and will mature in December 2018.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid, typically the General Fund. The School District's voted legal debt margin was \$3,017,460 with an unvoted debt margin of \$45,805 at June 30, 2015.

Principal and interest requirements to retire the Series 2010 bonds at June 30, 2015 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 65,503	119,209	184,712
2017	54,494	125,218	179,712
2018	150,000	32,462	182,462
2019	155,000	27,695	182,695
2020	165,000	22,287	187,287
2021-2023	515,000	29,080	544,080
Total	\$ <u>1,104,997</u>	<u>355,951</u>	<u>1,460,948</u>

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2015 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 37,000	5,974	42,974
2017	39,000	4,362	43,362
2018	40,000	2,673	42,673
2019	43,000	907	43,907
Total	\$ <u>159,000</u>	<u>13,916</u>	<u>172,916</u>

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

12. CAPITAL LEASES – LESSEE DISCLOSURE

On March 29, 2010, the District entered into a lease agreement for the use of five copiers. Assets acquired under these leases were \$177,150. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles. In the case of the copier lease, the term is sixty months. Capital lease payments have been reflected as debt service expenditures. The final payment on the capital lease was made during fiscal year 2015.

13. FUND BALANCES

Fund balance is classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	IDEA Part B Special Education	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventory	\$ 3,394	-	11,487	14,881
<i>Restricted for</i>				
Private Grants and Donations	-	-	6,650	6,650
Classroom Facilities Maintenance	-	-	214,820	214,820
Athletics	-	-	7,970	7,970
State Grant Programs	-	-	2,536	2,536
Federal Grant Programs	-	-	10	10
Debt Service Payments	-	-	237,106	237,106
Capital Improvements	-	-	11,359	11,359
<i>Total Restricted</i>	-	-	480,451	480,451
<i>Assigned to</i>				
Public School Support	20,575	-	-	20,575
Budget Resource	3,168,268	-	-	3,168,268
<i>Total Assigned</i>	3,188,843	-	-	3,188,843
<i>Unassigned (Deficit)</i>	10,957	(155,873)	(60,789)	(205,705)
<i>Total Fund Balance</i>	\$ 3,203,194	(155,873)	431,149	3,478,470

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

14. INSURANCE PURCHASING POOL

Butler Health Plan

The School District participates in the Butler Health Plan, an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from Butler Health Plan at P. O. Box 526, Middletown, Ohio 45042.

15. JOINTLY GOVERNED ORGANIZATIONS

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA) 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 districts. Each of the member schools of the three county consortiums supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

16. CONTINGENCIES

Litigation

The School District's attorney estimates that potential claims against the School District from legal proceedings would not materially affect the financial statements of the School District.

State and Federal Funding

The School 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

16. CONTINGENCIES – *continued*

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School 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 School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

17. REQUIRED SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition, maintenance, and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2014	\$ -
Current year set-aside requirement	126,419
Current year qualifying expenditures	(372,357)
Current year offsets	<u>(51,679)</u>
Total	\$ <u><u>(297,617)</u></u>
Balance carried forward to fiscal year 2016	\$ <u><u>-</u></u>

Excess qualified expenditures for capital improvements do not carry forward.

18. CHANGE IN ACCOUNTING PRINCIPLES

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement of No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The implementation of these pronouncements had the following effect on net position as reported at June 30, 2014:

NEW MIAMI LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

18. CHANGE IN ACCOUNTING PRINCIPLES – *continued*

	<u>Governmental Activities</u>
Net Position at June 30, 2014	\$ 13,751,307
Adjustments:	
Net pension liability	(10,646,485)
Deferred outflow - payments subsequent to measurement date	<u>559,376</u>
Restated Net Position at June 30, 2014	\$ <u>3,664,198</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 1,409,495	\$ 1,494,760	\$ 1,494,760	\$ -
Interest	2,200	5,937	6,596	659
Intergovernmental	5,077,075	5,412,576	5,412,576	-
Other local revenues	69,676	4,841	4,841	-
Total revenues	<u>6,558,446</u>	<u>6,918,114</u>	<u>6,918,773</u>	<u>659</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,039,970	3,352,172	3,160,740	191,432
Special education	712,361	925,161	666,726	258,435
Other instruction	318,911	318,911	296,462	22,449
Support services:				
Pupil	327,858	335,358	322,513	12,845
Instructional staff	77,142	89,142	66,220	22,922
Board of Education	54,189	113,139	107,712	5,427
Administration	789,475	804,175	708,185	95,990
Fiscal	204,072	211,572	199,081	12,491
Business	17,997	28,364	28,364	-
Operation and maintenance of plant	841,969	996,469	972,323	24,146
Pupil transportation	509,400	509,400	437,891	71,509
Central	-	18,000	18,000	-
Non-instructional services:				
Extracurricular activities	107,496	108,796	103,892	4,904
Total expenditures	<u>7,000,840</u>	<u>7,810,659</u>	<u>7,088,109</u>	<u>722,550</u>
Excess of revenues over expenditures	(442,394)	(892,545)	(169,336)	723,209
Other financing sources (uses):				
Transfers out	(44,000)	(50,000)	(49,744)	256
Advances in	15,000	21,980	21,980	-
Advances out	-	(170,750)	(170,438)	312
Other uses	(3,296,960)	(2,785,191)	-	2,785,191
Other sources	-	108,152	108,152	-
Total other financing sources (uses):	<u>(3,325,960)</u>	<u>(2,875,809)</u>	<u>(90,050)</u>	<u>2,785,759</u>
Net change in fund balance	(3,768,354)	(3,768,354)	(259,386)	\$ 3,508,968
Fund balance, beginning of year	3,644,531	3,644,531	3,644,531	
Prior year encumbrances appropriated	123,823	123,823	123,823	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,508,968</u>	

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
IDEA Part B Special Education Special Revenue Fund
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Intergovernmental	<u>\$ 191,456</u>	<u>\$ 19,353</u>	<u>\$ 19,353</u>	<u>\$ -</u>
Total revenues	<u>191,456</u>	<u>19,353</u>	<u>19,353</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Special education	<u>194,504</u>	<u>178,274</u>	<u>178,274</u>	<u>-</u>
Total expenditures	<u>194,504</u>	<u>178,274</u>	<u>178,274</u>	<u>-</u>
Excess of revenues over (under) expenditures	(3,048)	(158,921)	(158,921)	-
Other financing sources:				
Advances in	<u>-</u>	<u>155,873</u>	<u>155,873</u>	<u>-</u>
Total other financing sources:	<u>-</u>	<u>155,873</u>	<u>155,873</u>	<u>-</u>
Net change in fund balance	(3,048)	(3,048)	(3,048)	\$ -
Fund balance, beginning of year	<u>3,048</u>	<u>3,048</u>	<u>3,048</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying notes to required supplementary information.

NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information
Year Ended June 30, 2015

Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>	<u>IDEA Part B Special Education</u>
Net change in fund balance - GAAP Basis	\$ (216,740)	(145,928)
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund	(2,396)	-
Due to inclusion of Rotary Fund	(44)	-
Due to inclusion of Public School Support Fund	1,674	-
Due to revenues	44,549	19,353
Due to expenditures	23,641	(32,346)
Due to other sources (uses)	(40,306)	155,873
Due to encumbrances	<u>(69,764)</u>	<u>-</u>
Net change in fund balance - Budget Basis	\$ <u>(259,386)</u>	<u>(3,048)</u>

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of Net Pension Liability

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.029826%	0.029826%
School District's Proportionate Share of the Net Pension Liability	\$ 1,509,477	\$ 1,773,656
School District's Covered-Employee Payroll	\$ 875,426	\$ 915,311
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.43%	193.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of Net Pension Liability

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.03062347%	0.03062347%
School District's Proportionate Share of the Net Pension Liability	\$ 7,448,688	\$ 8,872,829
School District's Covered-Employee Payroll	\$ 3,369,554	\$ 3,254,238
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	272.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of School District Contributions
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 149,857	\$ 121,334	\$ 126,679
Contributions in Relation to the Contractually Required Contributions	<u>(149,857)</u>	<u>(121,334)</u>	<u>(126,679)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 1,137,003	\$ 875,426	\$ 915,311
Contributions as a Percentage of Covered- Employee Payroll	13.18%	13.86%	13.84%

(1) The School District elected not to present information prior to 2013. The School District will will continue to present information for years available until a full ten-year trend is compiled.

NEW MIAMI LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of School District Contributions
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 486,638	\$ 438,042	\$ 423,051
Contributions in Relation to the Contractually Required Contributions	<u>(486,638)</u>	<u>(438,042)</u>	<u>(423,051)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 3,475,986	\$ 3,369,554	\$ 3,254,238
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.00%	13.00%

(1) The School District elected not to present information prior to 2013. The School District will will continue to present information for years available until a full ten-year trend is compiled.

New Miami Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 27,091	27,091
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2015	10.553	121,980	121,980
National School Lunch Program	LLP4-2015	10.555	<u>278,635</u>	<u>278,635</u>
<i>Cash Assistance Subtotal</i>			<u>400,615</u>	<u>400,615</u>
Nutrition Cluster Total			<u>427,706</u>	<u>427,706</u>
Total U.S. Department of Agriculture			<u>427,706</u>	<u>427,706</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1-2014	84.010	68,255	82,468
Title I Grants to Local Educational Agencies	C1S1-2015	84.010	<u>286,852</u>	<u>283,657</u>
			<u>355,107</u>	<u>366,125</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2014	84.027	19,352	22,400
Special Education - Grants to States	6BSF-2015	84.027	-	155,873
Special Education - Preschool Grants	PGS1-2015	84.173	<u>2,958</u>	<u>2,958</u>
Special Education Cluster Total			<u>22,310</u>	<u>181,231</u>
Improving Teacher Quality State Grants	TRS1-2015	84.367	41,566	41,566
Teacher Incentive Fund	2015	84.374	<u>312,049</u>	<u>316,834</u>
Total U.S. Department of Education			<u>731,032</u>	<u>905,756</u>
Total Federal Awards			\$ <u>1,158,738</u>	<u>1,333,462</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

NOTE C - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District ("School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 14, 2015, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 14, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Board of Education
New Miami Local School District:

Report on Compliance for Each Major Federal Program

We have audited New Miami Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompany schedule of findings and questioned costs as finding 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The School District response to the noncompliance finding identified in our audit is described in the accompany schedule of findings and questioned costs. The School District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2015-001, that we consider to be a significant deficiency.

The School District response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 14, 2015

New Miami Local School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	yes
Identification of major programs:	
<i>CFDA 84.010 – Title I, Part A Cluster – Grants to Local Educational Agencies</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2015-001 – U.S. Department of Education - CFDA No. 84.010 – Title I, Part A Cluster – Targeted Assistance Program – Eligibility

Condition – Students in the School District’s elementary school are eligible to participate based on a schoolwide assessment process. However, the School District’s grant also included a portion for a targeted assistance program for students at the Middle School and High School which require an individualized assessment process to determine eligibility. We performed tests to determine if the School District properly determined child eligibility for the targeted assistance program. One method to establish eligibility is to perform student assessments to identify students who are failing, or most at risk of failing, to meet the State’s student academic achievement standards and who have the greatest need for assistance. The School District performed assessments but did not document the assessments to identify specific students to participate in the targeted assistance program.

Criteria – 20 USC 6315 states that eligible children are children identified by the school as failing, or most at risk of failing, to meet the State’s student academic achievement standards on the basis of multiple, educationally related, object criteria established by the local education agency and supplemented by the school.

Context –The School District did not document the assessments performed.

Cause – The School District was in the first year of operating a targeted assistance program and was unaware of the need to retain all necessary documentation related to the assessment of the students.

Effect – The School District was not fully in compliance with eligibility documentation during fiscal year 2015.

Recommendation – We recommend that School District implement policies and procedures to ensure compliance with targeted assistance program eligibility documentation.

Management Response – *Management concurs but does not plan to operate a targeted assistance program in the future.*

Section IV – Schedule of Prior Audit Findings

None

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Dave Yost • Auditor of State

NEW MIAMI LOCAL SCHOOL DISTRICT

BUTLER 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
MARCH 1, 2016**