



Mary Taylor, CPA
Auditor of State

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Miller City-New Cleveland Local School District, Putnam County, (the District) as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2007 and 2006, in accordance with accounting principles generally accepted in the United States of America.

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

Miller City-New Cleveland Local School District
Putnam County
Independent Accountants' Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

January 3, 2008

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$ 1,145,053	\$ 14,550	\$ 125,680		\$ 1,285,283
Intergovernmental	2,204,820	115,683	17,471		2,337,974
Tuition	432,886				432,886
Earnings on investments	115,238	5,107		\$ 10,561	130,906
Transportation Fees	14,005				14,005
Extracurricular Activities		66,986			66,986
Classroom Materials and Fees	20,637				20,637
Revenues from Intermediate Sources		877			877
Miscellaneous	51,316	4,067			55,383
Total cash receipts	<u>3,983,955</u>	<u>207,270</u>	<u>143,151</u>	<u>10,561</u>	<u>4,344,937</u>
Cash disbursements:					
Instruction					
Regular	1,971,679	17,500		4,736	1,993,915
Special	144,563	65,348			209,911
Vocational Education	164,405				164,405
Other Instruction	10,783				10,783
Supporting Services					
Pupils	135,905	1,158			137,063
Instructional Staff	125,977	15,230			141,207
Board of Education	101,661	356			102,017
Administration	391,736				391,736
Fiscal Services	39,363				39,363
Operation and Maintenance of Plant	384,930	33,931			418,861
Pupil Transportation	191,146				191,146
Central	1,832	4,423			6,255
Non-Instructional Services	290	5,050			5,340
Extracurricular Activities	93,391	87,168			180,559
Facilities Acquisition and Construction	65,128			296,856	361,984
Debt Service:					
Principal Retirement	52,691	8,175	64,478		125,344
Interest and Fiscal Charges	28,218	1,361	67,581		97,160
Total cash disbursements	<u>3,903,698</u>	<u>239,700</u>	<u>132,059</u>	<u>301,592</u>	<u>4,577,049</u>
Total cash receipts over/(under) cash disbursements	80,257	(32,430)	11,092	(291,031)	(232,112)
Other financing receipts/disbursements:					
Transfers-In				119,440	119,440
Transfers-Out	(119,440)				(119,440)
Other Financing Uses		(767)			(767)
Total other financing receipts/(disbursements)	<u>(119,440)</u>	<u>(767)</u>		<u>119,440</u>	<u>(767)</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbur	(39,183)	(33,197)	11,092	(171,591)	(232,879)
Fund cash balances, July 1	1,844,646	177,162	141,039	345,452	2,508,299
Fund cash balances, June 30	<u>\$ 1,805,463</u>	<u>\$ 143,965</u>	<u>\$ 152,131</u>	<u>\$ 173,861</u>	<u>\$ 2,275,420</u>
Reserves for encumbrances, December 31	<u>\$ 46,958</u>	<u>\$ 8,743</u>		<u>\$ 165,220</u>	<u>\$ 220,921</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Food Services	\$ 145,854		\$ 145,854
Classroom Materials and Fees	2,015	\$ 930	2,945
Extracurricular Activities		112,969	112,969
 Total operating cash receipts	 147,869	 113,899	 261,768
Operating cash disbursements:			
Personal Services	47,271	576	47,847
Employees Retirement and Insurance	27,731	87	27,818
Purchased Services	10,600		10,600
Supplies and Materials	79,097		79,097
Other Operating Expenses		114,661	114,661
 Total operating cash disbursements	 164,699	 115,324	 280,023
 Operating loss	 (16,830)	 (1,425)	 (18,255)
Non-operating cash receipts:			
Intergovernmental receipts	29,086		29,086
Earnings on Investments	61		61
Miscellaneous		1,126	1,126
 Total non-operating cash receipts	 29,147	 1,126	 30,273
 Net cash receipts over (under) cash disbursements	 12,317	 (299)	 12,018
 Fund cash balances, July 1	 51,270	 37,587	 88,857
Fund cash balances, June 30	\$ 63,587	\$ 37,288	\$ 100,875
 Reserve for encumbrances, December 31	 \$ 180	 \$ 5,783	 \$ 5,963

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$ 1,138,068	\$ 14,550	\$ 129,094		\$ 1,281,712
Intergovernmental	2,129,816	132,384	16,888	\$ 4,736	2,283,824
Tuition	385,496				385,496
Earnings on investments	70,176	1,866		17,102	89,144
Transportation Fees	13,738				13,738
Extracurricular Activities		74,965			74,965
Classroom Materials and Fees	23,190				23,190
Miscellaneous	49,013	95,113			144,126
Total cash receipts	<u>3,809,497</u>	<u>318,878</u>	<u>145,982</u>	<u>21,838</u>	<u>4,296,195</u>
Cash disbursements:					
Instruction					
Regular	1,887,817	15,925			1,903,742
Special	153,813	64,436			218,249
Vocational Education	112,002	132			112,134
Other Instruction	10,560				10,560
Supporting Services					
Pupils	122,574				122,574
Instructional Staff	125,052	40,420			165,472
Board of Education	82,423	344			82,767
Administration	401,451				401,451
Fiscal Services	55,567				55,567
Operation and Maintenance of Plant	361,656	33,702		10,974	406,332
Pupil Transportation	223,221			783	224,004
Central	5,880	5,242			11,122
Non-Instructional Services	688	5,156			5,844
Extracurricular Activities	108,781	87,899			196,680
Facilities Acquisition and Construction				116,533	116,533
Debt Service:					
Principal Retirement	52,341	7,309	64,478		124,128
Interest and Fiscal Charges	<u>30,121</u>		<u>67,550</u>		<u>97,671</u>
Total cash disbursements	<u>3,733,947</u>	<u>260,565</u>	<u>132,028</u>	<u>128,290</u>	<u>4,254,830</u>
Total cash receipts over/(under) cash disbursements	75,550	58,313	13,954	(106,452)	41,365
Fund cash balances, July 1	1,769,096	118,849	127,085	451,904	2,466,934
Fund cash balances, June 30	<u>\$ 1,844,646</u>	<u>\$ 177,162</u>	<u>\$ 141,039</u>	<u>\$ 345,452</u>	<u>\$ 2,508,299</u>
Reserves for encumbrances, December 31	<u>\$ 60,039</u>	<u>\$ 27,296</u>		<u>\$ 173,408</u>	<u>\$ 260,743</u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Food Services	\$ 150,281		\$ 150,281
Classroom Materials and Fees	2,362	\$ 820	3,182
Extracurricular Activities		123,937	123,937
 Total operating cash receipts	 152,643	 124,757	 277,400
Operating cash disbursements:			
Personal Services	48,706	624	49,330
Employees Retirement and Insurance	27,861	93	27,954
Purchased Services	9,448		9,448
Supplies and Materials	81,978		81,978
Other Operating Expenses		120,143	120,143
 Total operating cash disbursements	 167,993	 120,860	 288,853
 Operating income/(loss)	 (15,350)	 3,897	 (11,453)
Non-operating cash receipts:			
Intergovernmental receipts	31,562		31,562
Earnings on Investments	43		43
Miscellaneous	125	672	797
 Total non-operating cash receipts	 31,730	 672	 32,402
 Net cash receipts over cash disbursements	 16,380	 4,569	 20,949
 Fund cash balances, July 1	 34,890	 33,018	 67,908
 Fund cash balances, June 30	 \$ 51,270	 \$ 37,587	 \$ 88,857
 Reserve for encumbrances, December 31	 \$ 150	 \$ 17,901	 \$ 18,051

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 1 instructional building. The District employs 18 non-certified and 38 certified (including administrative) full-time and part-time employees to provide services to approximately 441 students in grades K through 12 and various community groups, which ranks it 598 out of approximately 608 public school districts in Ohio.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The District participates in 2 jointly governed organizations and 3 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 18 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Millstream Joint Vocational School
Northwest Ohio Area Computer Services Cooperative

Public Entity Risk Pool:

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

B. Fund Accounting

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

PROPRIETARY FUND TYPE

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

FIDUCIARY FUND TYPES

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Cash Balances by Fund Type".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2007 and 2006, the District invested in nonnegotiable certificates of deposit. Investments are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 was \$70,176, which included \$20,072 assigned from other District funds, and during fiscal year 2007 was \$115,238, which included \$29,370 assigned from other District funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

M. Interfund Transactions

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

N. Total Columns on Financial Statements

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

NOTE 3 – COMPLIANCE

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2006, \$1,089,253 of the District's bank balance of \$2,641,566 and at June 30, 2007, \$1,323,422 of the District's bank balance of \$2,395,262 was exposed to custodial credit risk because it was uninsured and collateralized with pooled securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,780,578	\$3,983,955	\$203,377
Special Revenue	230,543	207,270	(23,273)
Debt Service	141,284	143,151	1,867
Capital Projects	797,319	130,001	(667,318)
Enterprise	182,939	177,016	(5,923)
Total	<u>\$5,132,663</u>	<u>\$4,641,393</u>	<u>(\$491,270)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,515,386	\$4,070,096	\$445,290
Special Revenue	291,031	249,210	41,821
Debt Service	132,030	132,059	(29)
Capital Projects	800,503	466,812	333,691
Enterprise	178,982	164,879	14,103
Total	<u>\$5,917,932</u>	<u>\$5,083,056</u>	<u>\$834,876</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 5 – BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,683,668	\$3,809,497	\$125,829
Special Revenue	323,426	318,878	(4,548)
Debt Service	142,017	145,982	3,965
Capital Projects	15,847	21,838	5,991
Enterprise	161,999	184,373	22,374
Total	<u>\$4,326,957</u>	<u>\$4,480,568</u>	<u>\$153,611</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,119,427	\$3,793,986	\$325,441
Special Revenue	301,949	287,861	14,088
Debt Service	136,215	132,028	4,187
Capital Projects	264,082	301,698	(37,616)
Enterprise	165,402	168,143	(2,741)
Total	<u>\$4,987,075</u>	<u>\$4,683,716</u>	<u>\$303,359</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in four funds for the year ended June 30, 2006.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2007 and 2006 represent the collection of calendar years 2006 and 2005 taxes. Real property taxes received in calendar years 2007 and 2006 were levied after April 1, 2006 and 2005, respectively, on the assessed values as of January 1, 2006 and 2005, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 6 - PROPERTY TAXES – (CONTINUED)

Public utility property tax receipts received in calendar years 2007 and 2006 represent the collection of calendar years 2006 and 2005 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2007 and 2006 became a lien on December 31, 2005 and 2004, respectively, were levied after April 1, 2006 and 2005, respectively, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar years 2007 and 2006 (other than public utility property) represent the collection of calendar years 2007 and 2006 taxes, respectively. Tangible personal property taxes received in calendar years 2007 and 2006 were levied after April 1, 2006 and 2005, respectively, on the value as of December 31, 2006 and 2005, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007 and 2006, are available to finance fiscal years 2007 and 2006 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$30,129,190	89%	\$30,804,820	90%
Industrial/Commercial	600,080	2%	700,350	2%
Public Utility Property	2,406,440	7%	2,269,400	7%
Tangible Personal Property	688,589	2%	506,150	1%
Total Assessed Value	\$33,824,299	100%	\$34,280,720	100%
Tax rate per \$1,000 of assessed valuation	33.82		34.28	

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 6 - PROPERTY TAXES – (CONTINUED)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second-Half Collections		2007 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$30,804,820	90%	\$31,360,530	91%
Industrial/Commercial	700,350	2%	707,420	2%
Public Utility Property	2,269,400	7%	2,031,870	6%
Tangible Personal Property	506,150	1%	257,490	1%
Total Assessed Value	\$34,280,720	100%	\$34,357,310	100%
Tax rate per \$1,000 of assessed valuation		34.28		34.36

NOTE 7 - INCOME TAXES

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

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 67 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General liability
- Commercial liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Sexual Misconduct
- Commercial umbrella; and
- Vehicle.

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

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - RISK MANAGEMENT – (CONTINUED)

The District paid \$33,934 in premiums to the pool for fiscal year 2006 coverage and \$33,183 in premiums for fiscal year 2007 coverage.

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

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

C. Workers' Compensation

For fiscal years 2007 and 2006 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's contribution for STRS OHIO for the fiscal years ended June 30, 2007, 2006 and 2005, was \$233,360, \$224,630, and \$214,908, respectively. 83.56% has been contributed for fiscal year 2007, \$41,312 represents the unpaid contribution for fiscal year 2007, and 100 percent for the fiscal years 2006 and 2005.

B. School Employees Retirement System

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

For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute an actuarially determined rate. The rate for fiscal years 2007 and 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

The District's contribution for SERS for the fiscal years ended June 30, 2007, 2006 and 2005, was \$37,719, \$36,359, and \$35,169, respectively. 45.83% has been contributed for fiscal year 2007, \$26,784 represents the unpaid contribution for fiscal year 2007, and 100 percent for the fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006 and 2007, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal years 2007 and 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$17,279 for 2006 and \$17,951 for 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007 and 2006, the minimum pay was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2006 fiscal year, District paid \$16,929 and in 2007, \$17,052 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295,561,933. The number of participants eligible to receive benefits is 59,492.

NOTE 11 - OTHER EMPLOYEE BENEFITS

The Board of Education has approved an early retirement incentive (ERI) program for certified employees. The Board will purchase, from STRS, an additional one year of service credit for those employees who elect to participate in the plan. Participation was open to employees who were at least fifty years old, qualified for retirement with the year purchased by the Board, and were employed by the Board prior to June 30, 2001. The enrollment period for the ERI has no expiration date for eligible teachers. The Board did not limit the number of employees participating in the plan in any one year. In addition, employees who elected to participate in the plan will receive a lump sum payment for their unused sick leave, to the extent allowed by the current labor agreement. At June 30, 2007 and 2006, there were no new participants in this ERI plan, and all previous amounts of liability recognized for this plan had been liquidated.

NOTE 12 – DEBT

The changes in the District's debt obligations during fiscal year 2006 were as follows:

	Balance at 06/30/05	Additions	Reductions	Balance at 06/30/06	Amounts Due Within One Year
General Obligation Bonds					
2000 School Improvement					
Bonds 5.98%	\$ 1,160,609		\$ 64,478	\$ 1,096,131	\$ 64,478
OSFC Lease Purchase 5.375%	492,000		9,000	483,000	10,000
Computer Capital Lease 8.00%		\$ 26,540	9,536	17,004	8,175
Fitness Equipment Capital Lease 3.767%	147,100		41,114	105,986	42,691
Total Long-Term Obligations	<u>\$ 1,799,709</u>	<u>\$ 26,540</u>	<u>\$ 124,128</u>	<u>\$ 1,702,121</u>	<u>\$ 125,344</u>

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 – DEBT – (CONTINUED)

The changes in the District's debt obligations during fiscal year 2007 were as follows:

	Balance at 06/30/06	Additions	Reductions	Balance at 06/30/07	Amounts Due Within One Year
General Obligation Bonds					
2000 School Improvement					
Bonds 5.98%	\$ 1,096,131		\$ 64,478	\$ 1,031,653	\$ 64,479
OSFC Lease Purchase 5.375%	483,000		10,000	473,000	10,000
Computer Capital Lease 8.00%	17,004		8,175	8,829	8,829
Fitness Equipment Capital Lease 3.767%	105,986		42,691	63,295	44,327
Total Long-Term Obligations	<u>\$ 1,702,121</u>		<u>\$ 125,344</u>	<u>\$ 1,576,777</u>	<u>\$ 127,635</u>

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

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

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

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds as of June 30, 2007:

Year Ending		Principal	Interest	Total
June 30				
2008		\$ 64,479	\$ 60,761	\$ 125,240
2009		64,478	56,691	121,169
2010		64,478	52,782	117,260
2011		64,478	48,872	113,350
2012		64,478	45,081	109,559
2013 - 2017		322,392	166,249	488,641
2018 - 2022		322,392	68,472	390,864
2023		64,478	1,960	66,438
Total		<u>\$ 1,031,653</u>	<u>\$ 500,868</u>	<u>\$ 1,532,521</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 – DEBT – (CONTINUED)

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9 percent of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the district. The District's overall debt margin was \$1,818,462 with an unvoted debt margin of \$31,668 at June 30, 2007.

NOTE 13 – LEASE PURCHASE AGREEMENT

A. Columbus Regional Airport Authority Lease - OSBA

On February 27, 2003, the District entered into a \$510,000 lease-purchase agreement with the Columbus Regional Airport Authority to provide additional funds to the construction budget approved by the Ohio School Facilities Commission to fund the construction of a new K-12 facility. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2006, the District made principal payments of \$9,000 and interest/fees payments of \$25,285 on the lease-purchase agreement. In fiscal year 2007, the District made principal payments of \$10,000 and interest/fees payments of \$24,957 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2007.

Year Ending June 30	Principal	Interest/fees	Total
2008	\$ 10,000	\$ 24,580	\$ 34,580
2009	10,000	24,176	34,176
2010	11,000	23,728	34,728
2011	11,000	23,240	34,240
2012	12,000	22,717	34,717
2013 - 2017	68,000	104,262	172,262
2018 - 2022	88,000	84,172	172,172
2023 - 2027	114,000	54,294	168,294
2028 - 2032	149,000	21,385	170,385
Total	<u>\$ 473,000</u>	<u>\$ 382,554</u>	<u>\$ 855,554</u>

NOTE 14 – CAPITAL LEASES

A. Computers

On March 31, 2006, the District entered into a \$28,607 lease-purchase agreement with GE Capital to purchase computer equipment. The source of revenue to fund the principal and interest payments was to be derived from the Rural Education Achievement Program (REAP) Federal Grant. During fiscal year 2006, the District made principal payments of \$9,536 and no interest payments. During fiscal year 2007, the District made principal payments of \$8,175 and interest payments of \$1,361 on the lease-purchase agreement.

**MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 14 – CAPITAL LEASES – (CONTINUED)

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2007.

Year Ending June 30	Principal	Interest	Total
2008	\$ 8,829	\$ 706	\$ 9,535

B. Fitness Equipment

On November 25, 2003, the District entered into a \$221,940 lease-purchase agreement with Key Municipal Finance to purchase fitness equipment and curriculum from the National School Fitness Foundation. The source of revenue to fund the principal and interest payments was to be derived from the School Fitness Foundation, but with recent events is derived from general operating revenues of the District. The lease was amended on June 14, 2004, to extend the lease and require lower payments. During fiscal year 2006, the District made principal payments of \$41,114 and interest payments of \$4,837. During fiscal year 2007, the District made principal payments of \$42,691 and interest payments of \$3,261 on the lease-purchase agreement.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2007.

Year Ending June 30	Principal	Interest	Total
2008	\$ 44,327	\$ 1,624	\$ 45,951
2009	18,968	179	19,147
Total	<u>\$ 63,295</u>	<u>\$ 1,803</u>	<u>\$ 65,098</u>

NOTE 15 - SET ASIDE REQUIREMENTS

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 15 - SET ASIDE REQUIREMENTS – (CONTINUED)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2006.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2005	(\$32,840)	\$33,253	\$10,306
Current Year Set Aside Requirement	78,535	78,535	
Current Year Offsets		(14,550)	
Qualifying Cash Disbursements	(50,147)	(28,775)	
Set Aside Reserve Balance June 30, 2006	<u><u>(\$4,452)</u></u>	<u><u>\$68,463</u></u>	<u><u>\$10,306</u></u>

The District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year 2006 was \$78,769.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2007.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2006	(\$4,452)	\$68,463	\$10,306
Current Year Set Aside Requirement	79,332	79,332	
Current Year Offsets		(14,550)	
Qualifying Cash Disbursements	(53,540)	(98,339)	
Set Aside Reserve Balance June 30, 2007	<u><u>\$21,340</u></u>	<u><u>\$34,906</u></u>	<u><u>\$10,306</u></u>

The District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The total reserve balance for set asides at the end of the fiscal year was \$66,552.

NOTE 16 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at June 30, 2006, related to construction projects undertaken by the District:

Contractor	Amount
Beilharz	\$ 5,428
Façade Forensics	64,370
Kirk & Blum	5,283
Schnippel	108,592
Total	<u><u>\$ 183,673</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 16 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS – (CONTINUED)

The District had the following contractual commitments outstanding at June 30, 2007, related to construction projects undertaken by the District:

<u>Contractor</u>	<u>Amount</u>
Beilharz	\$ 5,428
AMB Warranty	6,000
Schlust	572,000
Schroeder	87,500
Kirk & Blum	5,283
Schnippel	108,592
Total	<u><u>\$ 784,803</u></u>

NOTE 17 – CONTINGENT LIABILITIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007 and 2006.

B. Litigation

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

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

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. During fiscal years 2007 and 2006, the District paid \$11,400 annually to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**
(Continued)

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

B. Millstream Joint Vocational School

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of Miller City-New Cleveland Local School District, Putnam County, (the District) as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 3, 2008, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

Miller City-New Cleveland Local School District

Putnam County

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Page 2

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the finding described above is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated January 3, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 3, 2008.

The District's responses to the findings we identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

January 3, 2008

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

**SCHEDULE OF FINDINGS
JUNE 30, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

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

Officials' Response

The Board of Education approved to report the District financial statements on a cash basis instead of generally accepted accounting principals in order to avoid incurring additional preparation and auditing costs.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states in part that no subdivision is to expend money unless it has been appropriated as provided in this chapter.

At June 30, 2006, expenditures exceeded appropriations in the following funds:

Fund	Appropriations		Actual		Difference
	Authority		Expenditures		
Classroom Facility Maintenance Fund	\$ 44,561		\$ 46,885		\$ (2,324)
Classroom Facility Fund	247,357		289,941		(42,584)
Food Service Fund	162,912		165,236		(2,324)
Uniform Supplies Fund	2,490		2,907		(417)

Also, the expenditures exceeded appropriations at the legal level of control in April 2006 in the Uniform Supplies Fund by \$456.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2007-002
(Continued)

Officials' Response

The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

FINDING NUMBER 2007-003

Material Weakness

Monitoring Financial Statements

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The fiscal year 2007 and 2006 financial statements contained material errors, such as the following:

- The Rotary Fund was misclassified as an Internal Service Fund when it should have been reported as an Agency Fund in fiscal years 2007 and 2006.
- Intrafund transfers in the General Fund of \$152,572 and \$166,362 were not eliminated for fiscal years 2007 and 2006, respectively.
- Capital lease payments of \$50,866 and \$50,650 were misclassified as support service-instructional staff expenditures when they should have been reported as principal and interest debt payments in the General Fund and Special Revenue Funds in fiscal year 2007 and the General Fund in fiscal year 2006, respectively.

To ensure the District's financial statements and notes to the statements are complete and accurate, we recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions.

Officials' Response

The Rotary Fund has been corrected to be reported as an agency fund. Intrafund transactions will need to be manually backed out of the financials at year end, since they are necessary for the annual set-a-side fund transfers. Capital Lease payments will be reported with interest and principal debt service at year end with manual adjustments.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2007-001.



Mary Taylor, CPA

Auditor of State

MILLER CITY-NEW CLEVELAND LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2008**