



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

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 year ended June 30, 2005. 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 2, 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 year ended June 30, 2005, in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 27, 2006

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

COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2005

Cash and Cash Equivalents	<u><u>\$ 2,534,842</u></u>
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CASH BALANCES BY FUND TYPE

Governmental Fund Types:	
General Fund	\$ 1,769,096
Special Revenue Funds	118,849
Debt Service Funds	127,085
Capital Projects Funds	451,904
Proprietary Fund Type:	
Enterprise Funds	34,890
Fiduciary Fund Type:	
Agency Funds	<u>33,018</u>
Total	<u><u>\$ 2,534,842</u></u>

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	Governmental Fund Types		Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$ 1,083,306	\$ 14,032	\$ 129,245		\$ 1,226,583
Intergovernmental	2,102,547	97,342	16,062		2,215,951
Tuition	375,751				375,751
Earnings on investments	38,725	511		11,240	50,476
Transportation Fees	4,313				4,313
Extracurricular Activities		65,372			65,372
Classroom Materials and Fees	19,055				19,055
Revenue from Intermediate Sources		2,383			2,383
Miscellaneous	53,453	9,467			62,920
Total cash receipts	3,677,150	189,107	145,307	11,240	4,022,804
Cash disbursements:					
Instruction					
Regular	1,948,773	3,030			1,951,803
Special	243,205	68,675			311,880
Vocational Education	99,935				99,935
Supporting Services					
Pupils	72,090				72,090
Instructional Staff	134,179	37,615			171,794
Board of Education	63,932	343			64,275
Administration	373,893				373,893
Fiscal Services	37,061				37,061
Operation and Maintenance of Plant	307,888	25,906		2,135	335,929
Pupil Transportation	116,590			6,769	123,359
Central		4,231			4,231
Non-Instructional Services	353	2,673			3,026
Extracurricular Activities	77,960	68,436			146,396
Facilities Acquisition and Construction				78,790	78,790
Debt Service:					
Principal Retirement	9,000		64,478		73,478
Interest and Fiscal Charges	25,557		75,488		101,045
Total cash disbursements	3,510,416	210,909	139,966	87,694	3,948,985
Total receipts over/(under) disbursements	166,734	(21,802)	5,341	(76,454)	73,819
Other financing disbursements:					
Refund of Prior Year Receipts		(64)			(64)
Excess of cash receipts over/(under) cash disbursements and other financing disbursements	166,734	(21,866)	5,341	(76,454)	73,755
Fund cash balances, July 1	1,602,362	140,715	121,744	528,358	2,393,179
Fund cash balances, June 30	<u>\$ 1,769,096</u>	<u>\$ 118,849</u>	<u>\$ 127,085</u>	<u>\$ 451,904</u>	<u>\$ 2,466,934</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, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Food Services	\$ 148,551		\$ 148,551
Classroom Materials and Fees	1,801	\$ 806	2,607
Extracurricular Activities		68,100	68,100
	<u>150,352</u>	<u>68,906</u>	<u>219,258</u>
Operating cash disbursements:			
Personal Services	61,922	355	62,277
Employees Retirement and Insurance	29,896	51	29,947
Purchased Services	9,170		9,170
Supplies and Materials	74,322		74,322
Capital Outlay	1,978		1,978
Other operating expenses		71,500	71,500
	<u>177,288</u>	<u>71,906</u>	<u>249,194</u>
Operating loss	<u>(26,936)</u>	<u>(3,000)</u>	<u>(29,936)</u>
Non-operating cash receipts:			
Intergovernmental receipts	27,540		27,540
Earnings on Investments	246		246
Miscellaneous	29	5,501	5,530
	<u>27,815</u>	<u>5,501</u>	<u>33,316</u>
Net receipts over disbursements	879	2,501	3,380
Fund cash balances, July 1	<u>34,011</u>	<u>30,517</u>	<u>64,528</u>
Fund cash balances, June 30	<u>\$ 34,890</u>	<u>\$ 33,018</u>	<u>\$ 67,908</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 RECEIPTS
BUDGET AND ACTUAL COMPARISON
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$ 3,685,012	\$ 3,677,150	\$ (7,862)
Special Revenue Funds	214,290	189,107	(25,183)
Debt Service Funds	143,300	145,307	2,007
Capital Projects Funds	8,098	11,240	3,142
Proprietary Fund Type:			
Enterprise Funds	170,321	178,167	7,846
Total (Memorandum Only)	\$ 4,221,021	\$ 4,200,971	\$ (20,050)

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 DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	Prior Year Carryover Appropriations	2005 Appropriations		Actual 2005 Disbursements	Encumbrances Outstanding at 6/30/2005	Total	Variance Favorable (Unfavorable)
			Total				
Governmental Fund Types:							
General Fund	\$ 115,765	\$ 3,735,790	\$ 3,851,555	\$ 3,510,416	\$ 52,675	\$ 3,563,091	\$ 288,464
Special Revenue Funds	17,359	270,588	287,947	210,973	25,656	236,629	51,318
Debt Service Fund		140,806	140,806	139,966		139,966	840
Capital Projects Funds	212,767	22,100	234,867	87,694	134,982	222,676	12,191
Proprietary Fund Type:							
Enterprise Funds	1,196	178,828	180,024	177,288	168	177,456	2,568
Total (Memorandum Only)	\$ 347,087	\$ 4,348,112	\$ 4,695,199	\$ 4,126,337	\$ 213,481	\$ 4,339,818	\$ 355,381

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 481 students in grades K through 12 and various community groups, which ranks it 625 out of approximately 859 public and community 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 general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the District under the basis of accounting used.

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 YEAR ENDED JUNE 30, 2005
(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 7 and 17 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 YEAR ENDED JUNE 30, 2005
(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 amounts reported as the budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(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 2005, 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 2005 was \$38,725, which included \$11,534 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 YEAR ENDED JUNE 30, 2005
(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 8 and 9, 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 YEAR ENDED JUNE 30, 2005
(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.

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 year end, \$1,431,322 of the District's bank balance of \$2,560,176 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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 - 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 year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 5 - PROPERTY TAXES – (Continued)

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$28,252,130	87%	\$30,129,190	89%
Industrial/Commercial	509,380	2%	600,080	2%
Public Utility Property	2,286,720	7%	2,406,440	7%
Tangible Personal Property	1,349,000	4%	688,589	2%
Total Assessed Value	\$32,397,230	100%	\$33,824,299	100%
Tax rate per \$1,000 of assessed valuation	32.40		33.82	

NOTE 6 - 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 7 - 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 65 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.

The District paid \$33,934 in premiums to the pool for fiscal year 2005 coverage.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 7 - RISK MANAGEMENT – (Continued)

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 year 2005 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 8 - 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (Continued)

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.

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 year ended June 30, 2005, 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 required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003, was \$214,908, \$225,167, and \$198,946, respectively. 83.98% has been contributed for fiscal year 2005, \$37,068 represents the unpaid contribution for fiscal year 2005, and 100 percent for the fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$4,953 made by the District and \$3,538 made by plan members.

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.

For the fiscal year ended June 30, 2005, 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 year 2005 was 14 percent of annual covered payroll; 10.57 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.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, was \$30,244, \$30,063, and \$15,654, respectively. 47.45% has been contributed for fiscal year 2005; \$24,480 represents the unpaid contribution for fiscal year 2005, and 100 percent for the fiscal years 2004 and 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS – (Continued)

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, 2005, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$16,531.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

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, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. 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 2005 fiscal year, District paid \$16,473 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, 2005, were \$178,221,113. 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, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS – (Continued)

\$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150% of the estimated annual net claims costs. The number of participants eligible to receive benefits is 58,123.

NOTE 10 - 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, 2005, there were no new participants in this ERI plan, and all previous amounts of liability recognized for this plan had been liquidated.

NOTE 11 – DEBT

The changes in the District's debt obligations during fiscal year 2005 were as follows:

	Balance at 06/30/04	Additions	Reductions	Balance at 06/30/05	Amounts Due Within One Year
General Obligation Bonds					
2000 School Improvement					
Bonds 5.98%	\$ 1,225,087	\$ -	\$ 64,478	\$ 1,160,609	\$ 64,478
OSFC Lease Purchase 5.375%	501,000	-	9,000	492,000	9,000
Computer Capital Lease 8.17%	12,387	-	12,387	-	-
Copier Capital Lease 8.3%	28,021	-	7,427	20,594	8,043
Fitness Equipment Capital Lease 3.767%	186,697	-	39,598	147,099	41,114
<i>Total Long-Term Obligations</i>	<u>\$ 1,953,192</u>	<u>\$ -</u>	<u>\$ 132,890</u>	<u>\$ 1,820,302</u>	<u>\$ 122,635</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 11 – DEBT – (Continued)

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 64,478	\$ 68,419	\$ 132,897
2007	64,478	64,510	128,988
2008	64,478	60,761	125,239
2009	64,478	56,691	121,169
2010	64,478	52,782	117,260
2011 - 2015	322,392	205,386	527,778
2016 - 2020	322,392	107,641	430,033
2021 - 2023	193,435	17,608	211,043
Total	<u>\$ 1,160,609</u>	<u>\$ 633,798</u>	<u>\$ 1,794,407</u>

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 \$1,883,578 with an unvoted debt margin of \$33,824 at June 30, 2005.

NOTE 12 – 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 2005, the District made principal payments of \$9,000 and interest/fees payments of \$25,557 on the lease-purchase agreement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 12 – LEASE PURCHASE AGREEMENT – (CONTINUED)

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2005.

Year Ending June 30	Principal	Interest/fees	Total
2006	\$ 9,000	\$ 12,716	\$ 21,716
2007	10,000	25,138	35,138
2008	10,000	24,776	34,776
2009	10,000	24,384	34,384
2010	11,000	23,968	34,968
2011 - 2015	62,000	112,057	174,057
2016 - 2020	80,000	95,011	175,011
2021 - 2025	102,000	71,780	173,780
2026 - 2030	134,000	40,605	174,605
2031 - 2032	64,000	5,361	69,361
Total	<u>\$ 492,000</u>	<u>\$ 435,796</u>	<u>\$ 927,796</u>

NOTE 13 – CAPITAL LEASES

A. Computers

On May 27, 2003, the District entered into a \$36,517 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 REAP Federal Grant. During fiscal year 2005, the District made principal payments of \$12,387 and interest payments of \$788 on the lease-purchase agreement. These payments were made from the Special Revenue Funds Support Services-Instructional Staff line item on the accompanying financial statements. This lease was paid off during fiscal year 2005.

B. Copiers

On November 6, 2002, the District entered into a \$38,633 lease-purchase agreement with US Bancorp to purchase copiers. The source of revenue to fund the principal and interest payments was to be derived from the General Fund. During fiscal year 2005, the District made principal payments of \$7,427 and interest payments of \$1,973 on the lease-purchase agreement. These payments were made from the General Fund Regular Instruction line item on the accompanying financial statements.

Year Ending June 30	Principal	Interest	Total
2006	8,043	1,357	9,400
2007	8,711	689	9,400
2008	3,840	77	3,917
Total	<u>\$ 20,594</u>	<u>\$ 2,123</u>	<u>\$ 22,717</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 13 – CAPITAL LEASES – (Continued)

C. 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 2005, the District made principal payments of \$39,598 and interest payments of \$6,354 on the lease-purchase agreement. These payments were made from the General Fund Regular Instruction line item on the accompanying financial statements.

The following is a schedule of the future lease payments required under the lease-purchase agreement as of June 30, 2005.

Year Ending June 30	Principal	Interest	Total
2006	41,114	4,837	45,951
2007	42,691	3,261	45,952
2008	44,327	1,624	45,951
2009	18,967	179	19,146
Total	<u>\$ 147,099</u>	<u>\$ 9,901</u>	<u>\$ 157,000</u>

NOTE 14 - SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2005.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2004	(\$30,957)	\$10,758	\$10,306
Current Year Set Aside Requirement	73,662	73,662	
Current Year Offsets		(13,938)	
Qualifying Cash Disbursements	(75,545)	(37,229)	
Set Aside Reserve Balance June 30, 2005	<u>(\$32,840)</u>	<u>\$33,253</u>	<u>\$10,306</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

NOTE 14 - SET ASIDE REQUIREMENTS – (Continued)

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 \$43,559.

NOTE 15 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at June 30, 2005, related to construction projects undertaken by the District:

<u>Contractor</u>	<u>Amount</u>
Beilharz	5,428
Bodie	12,567
Kirk & Blum	5,283
Schnippel	<u>108,592</u>
Total	<u>\$ 131,870</u>

NOTE 16 – 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, 2005.

B. Litigation

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

NOTE 17 - 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 year 2005, the District paid \$13,200 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 YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 17 - 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.

NOTE 18 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

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**Auditor of State
Betty Montgomery**

**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 the Miller City-New Cleveland Local School District, Putnam County, (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 27, 2006, wherein we noted that the District prepared its financial statements using accounting practices the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 27, 2006, we reported other matters involving internal control over financial reporting we did not deem as reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed

an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated January 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance/audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 27, 2006

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

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

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

FINDING NUMBER 2005-001

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.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	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 2005-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
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Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2006**