

# **NEW MIAMI LOCAL SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2014

With Independent Auditors' Report

## TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 3	
Management's Discussion and Analysis.....	4 - 10	
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position.....	11	
Statement of Activities .....	12	
Fund Financial Statements		
Balance Sheet – Governmental Funds .....	13 - 14	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15 - 16	
Statement of Fiduciary Net Position – Fiduciary Funds.....	17	
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	18	
Notes to Basic Financial Statements.....	19 - 40	
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) - General Fund.....		41
Notes to the Required Supplementary Information .....	42	
Additional Information:		
Schedule of Expenditures of Federal Awards .....	43	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44 - 45	
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133.....	46 - 47	
Schedule of Findings and Questioned Costs.....	48	

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
New Miami Local School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

one east fourth street, suite 1200  
cincinnati, OH 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 18 to the financial statements, during the year ended June 30, 2014, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 4 through 10 and 41 through 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of New Miami Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Miami Local School District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 9, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the New Miami Local School District for the year ended June 30, 2014. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2014 are listed below:

- The assets and deferred outflows of resources the School District exceeded its liabilities and deferred inflows of resources at year-end by \$13.8 million. Of this amount, \$9.7 million is invested in capital assets, net of accumulated depreciation and related debt.
- In total, net position increased by approximately \$351,000.
- The School District had \$8.2 million in expenses related to governmental activities; only \$1.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$7.0 million, made up primarily of property and income taxes and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance increased by \$293,330 from \$3,126,604 at June 30, 2013 to \$3,419,934 at June 30, 2014.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

---

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

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

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

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

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

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

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

**Other information.** In addition to basic financial statements and accompanying notes, this report also contains required supplementary information regarding the budget of the General Fund.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net Position at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2014 and 2013:

	<u>FY2014</u>	<u>FY2013</u>
Assets:		
Current and other assets	\$ 6,309,677	5,877,577
Capital assets	11,127,306	11,530,405
Total assets	<u>17,436,983</u>	<u>17,407,982</u>
Deferred outflows of resources	<u>54,377</u>	<u>60,775</u>
Liabilities:		
Long-term liabilities	1,858,865	2,038,299
Other liabilities	850,565	868,338
Total liabilities	<u>2,709,430</u>	<u>2,906,637</u>
Deferred inflows of resources	<u>1,030,623</u>	<u>1,161,903</u>
Net position:		
Net investment in capital assets	9,714,479	10,011,472
Restricted:		
For capital purposes	13,775	13,775
For debt service	130,153	108,219
For other purposes	368,893	259,816
Unrestricted	3,524,007	3,006,935
Total net position	<u>\$ 13,751,307</u>	<u>13,400,217</u>

A significant portion of the School District's net position (71%) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The balance of unrestricted net position (\$3,524,007) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets increased by less than 1%, while total liabilities decreased by 6.8%. The School District's equity in pooled cash increased during the fiscal year due to positive changes in net position, compared to a negative change experienced in the prior fiscal year. The School District did not have any large capital additions during the fiscal year and the decrease in capital assets is a result of the annual depreciation expense and minor disposals. In fiscal year 2014, the School District's total liabilities decreased mainly due to annual debt service payments.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

---

**B. Governmental Activities during fiscal year 2014**

The following table presents a condensed summary of the School District's activities during fiscal year 2014 and 2013 and the resulting change in net position:

	<u>FY2014</u>	<u>FY2013</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 101,671	94,152
Operating grants and contributions	<u>1,531,992</u>	<u>1,341,057</u>
Total program revenues	<u>1,633,663</u>	<u>1,435,209</u>
General revenues:		
Property and income taxes	1,836,412	1,510,325
Grants and entitlements	5,024,145	4,564,024
Investment earnings	2,205	2,182
Miscellaneous	<u>93,855</u>	<u>81,187</u>
Total general revenues	<u>6,956,617</u>	<u>6,157,718</u>
<b>Total revenues</b>	<u>8,590,280</u>	<u>7,592,927</u>
<b>Expenses:</b>		
Instruction	4,719,901	4,148,949
Support services:		
Pupil	331,895	378,351
Instructional staff	71,406	183,081
Board of Education	51,790	35,864
Administration	812,655	795,560
Fiscal	190,229	193,888
Business	8,748	13,008
Operation and maintenance of plant	838,928	852,340
Pupil transportation	441,483	483,350
Non-instructional services	166,201	149,495
Interest and fiscal charges	117,271	99,449
Food services	<u>488,683</u>	<u>478,779</u>
<b>Total expenses</b>	<u>8,239,190</u>	<u>7,812,114</u>
<b>Change in net position</b>	<u>\$ 351,090</u>	<u>(219,187)</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

---

Of the total governmental activities revenues of \$8,590,280, \$1,633,663 (19%) is from program revenue. This means that the School District relied on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 26% (\$1,836,412) comes from property and income taxes and 72% (\$5,024,145) is from state funding. The School District's operations are reliant upon its property and income taxes and the State's foundation program.

In total, net position of the School District increased by \$351,090, or approximately 3%. Total revenues increased by approximately 13% during the year due to increases in grant funding, for early childhood education and teacher incentives, and state foundation funding under the new biennial state budget. Expenses increased by about 5% with the increases in resources for grant programs and instructional services.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 20% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$4,719,901 but program revenue contributed to fund 19% of those costs. Thus, general revenues of \$3,807,829 were used to support of remainder of the instruction costs.

**Governmental Activities**

		<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost of Services</b>
Instruction	\$	4,719,901	912,072	19%	3,807,829
Support services		2,747,134	164,520	6%	2,582,614
Non-instructional services		166,201	59,705	36%	106,496
Food services		488,683	497,366	102%	(8,683)
Interest and fiscal charges		117,271	-	0%	117,271
<b>Total</b>	\$	<u>8,239,190</u>	<u>1,633,663</u>	<u>20%</u>	<u>6,605,527</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

---

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District's only major governmental fund was the General Fund.

Assets of the General Fund comprise \$5,419,640 (85%) of the total \$6,390,359 governmental funds' assets. Fund balance at June 30, 2014 was \$3,419,934, with a fund balance of \$3,346,396 assigned to the subsequent year's appropriations. The General Fund experienced a \$293,330 increase in fund balance, due in part to intergovernmental revenues increasing by \$516,921 from the state's 2014-2015 biennial budget.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Overall, General Fund expenditures came in \$944,000 under the final budget due to conservative budgeting.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2014, the School District had invested in a broad range of capital assets, including land, buildings and equipment. During fiscal year 2014, the School District acquired equipment of approximately \$45,000, while also disposing of equipment with an original cost of approximately \$11,000. See Note 5 to the financial statements for more detail.

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

		<u>FY2014</u>	<u>FY2013</u>
Land	\$	428,932	428,932
Buildings and improvements		10,431,151	10,705,604
Equipment and furniture		<u>267,223</u>	<u>395,869</u>
Total	\$	<u>11,127,306</u>	<u>11,530,405</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2014**  
**Unaudited**

---

**Debt**

During the year ended June 30, 2014, the School District made its regularly scheduled payments for general obligation bonds and leases. The total amount outstanding on bonds and leases was \$1,387,134 as of June 30, 2014. See Notes 11 and 12 to the financial statements for more detail.

**REQUESTS FOR ADDITIONAL INFORMATION**

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

# NEW MIAMI LOCAL SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash	\$ 4,332,848
Receivables:	
Taxes	1,713,973
Accounts	3,360
Intergovernmental	250,845
Supplies inventory	8,651
Nondepreciable capital assets	428,932
Depreciable capital assets, net	<u>10,698,374</u>
<b>Total assets</b>	<u>17,436,983</u>
<b>Deferred Outflows of Resources:</b>	
Deferred charges on refunding	<u>54,377</u>
<b>Liabilities:</b>	
Accounts payable	88,739
Accrued wages and benefits	646,429
Intergovernmental payable	111,773
Accrued interest payable	3,624
Noncurrent liabilities:	
Due within one year	227,048
Due within more than one year	<u>1,631,817</u>
<b>Total liabilities</b>	<u>2,709,430</u>
<b>Deferred Inflows of Resources:</b>	
Property taxes levied for next fiscal year	<u>1,030,623</u>
<b>Net Position:</b>	
Net investment in capital assets	9,714,479
Restricted for:	
Capital projects	13,775
Debt service	130,153
Other purposes	368,893
Unrestricted	<u>3,524,007</u>
<b>Total net position</b>	<u>\$ 13,751,307</u>

See accompanying notes to the basic financial statements.

# NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Activities  
Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 3,700,527	5,944	738,906	\$ (2,955,677)
Special education	830,169	-	167,222	(662,947)
Other	189,205	-	-	(189,205)
Support services:				
Pupil	331,895	-	2,954	(328,941)
Instructional staff	71,406	-	34,872	(36,534)
Board of Education	51,790	-	-	(51,790)
Administration	812,655	-	83,979	(728,676)
Fiscal	190,229	-	-	(190,229)
Business	8,748	-	-	(8,748)
Operation and maintenance of plant	838,928	-	42,715	(796,213)
Pupil transportation	441,483	-	-	(441,483)
Non-instructional services:				
Extracurricular activities	166,201	59,705	-	(106,496)
Food service	488,683	36,022	461,344	8,683
Interest on long-term debt	117,271	-	-	(117,271)
Total Governmental Activities	\$ <u>8,239,190</u>	<u>101,671</u>	<u>1,531,992</u>	<u>(6,605,527)</u>

## General Revenues:

Property taxes, levied for general purposes	1,186,655
Property taxes, levied for debt services	141,361
Property taxes, levied for capital maintenance	11,992
Income taxes	496,404
Grants and entitlements not restricted to specific programs	5,024,145
Investment earnings	2,205
Miscellaneous	93,855
Total general revenues	<u>6,956,617</u>
Change in net position	351,090
Net position beginning of year	<u>13,400,217</u>
Net position end of year	\$ <u>13,751,307</u>

See accompanying notes to the basic financial statements.

# NEW MIAMI LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash	\$ 3,799,013	533,835	4,332,848
Receivables:			
Taxes	1,534,416	179,557	1,713,973
Accounts	2,367	993	3,360
Intergovernmental	1,653	249,192	250,845
Materials and supplies inventory	1,509	7,142	8,651
Interfund receivable	80,682	-	80,682
<b>Total assets</b>	<u>5,419,640</u>	<u>970,719</u>	<u>6,390,359</u>
<b>Liabilities:</b>			
Accounts payable	82,560	6,179	88,739
Accrued wages and benefits	538,586	107,843	646,429
Intergovernmental payable	105,258	6,515	111,773
Interfund payable	-	80,682	80,682
Compensated absences payable	82,788	-	82,788
<b>Total liabilities</b>	<u>809,192</u>	<u>201,219</u>	<u>1,010,411</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes levied for next fiscal year	900,936	129,687	1,030,623
Unavailable revenue	289,578	175,849	465,427
<b>Total deferred inflows of resources</b>	<u>1,190,514</u>	<u>305,536</u>	<u>1,496,050</u>
<b>Fund Balances:</b>			
Nonspendable	1,509	7,142	8,651
Restricted	-	513,824	513,824
Assigned	3,409,908	-	3,409,908
Unassigned	8,517	(57,002)	(48,485)
<b>Total fund balances</b>	<u>3,419,934</u>	<u>463,964</u>	<u>3,883,898</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ <u>5,419,640</u>	<u>970,719</u>	<u>6,390,359</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2014

**Total Governmental Fund Balances** \$ 3,883,898

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,127,306

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

General obligation bonds	1,163,837	
Premium on refunding bonds	80,070	
Accreted interest on bonds	180,370	
Compensated absences	128,503	
Lease-purchase agreement	195,000	
Capital lease	28,297	
Accrued interest payable	3,624	
Total		(1,779,701)

Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds. 54,377

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 465,427

Net Position of Governmental Activities \$ 13,751,307

## NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 1,543,620	135,718	1,679,338
Tuition and fees	5,944	-	5,944
Interest	2,205	-	2,205
Intergovernmental	5,075,828	1,380,671	6,456,499
Charges for services	-	35,444	35,444
Other local revenues	90,143	62,614	152,757
<b>Total revenues</b>	<u>6,717,740</u>	<u>1,614,447</u>	<u>8,332,187</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,795,122	577,539	3,372,661
Special education	665,363	163,838	829,201
Other instruction	189,205	-	189,205
Support services:			
Pupil	338,655	6,112	344,767
Instructional staff	2,850	68,556	71,406
Board of Education	51,790	-	51,790
Administration	741,107	72,530	813,637
Fiscal	190,344	-	190,344
Business	8,748	-	8,748
Operation and maintenance of plant	809,881	22,900	832,781
Pupil transportation	441,483	-	441,483
Non-instructional services:			
Extracurricular activities	108,440	56,758	165,198
Food services	-	487,987	487,987
Debt Service:			
Principal	36,748	95,048	131,796
Interest and fiscal charges	1,449	128,677	130,126
<b>Total expenditures</b>	<u>6,381,185</u>	<u>1,679,945</u>	<u>8,061,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>336,555</u>	<u>(65,498)</u>	<u>271,057</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	43,225	43,225
Transfers out	(43,225)	-	(43,225)
<b>Total other financing sources (uses):</b>	<u>(43,225)</u>	<u>43,225</u>	<u>-</u>
Net change in fund balance	293,330	(22,273)	271,057
Fund balance, beginning of year	3,126,604	486,237	3,612,841
Fund balance, end of year	\$ <u>3,419,934</u>	<u>463,964</u>	<u>3,883,898</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2014

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>271,057</b>
<p>Amounts reported for governmental activities in the statement of activities are different because</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlay		44,623
Depreciation expense		(447,522)
Loss on the sale of capital assets are reported on the statement of activities while only the proceeds are reported in the governmental funds.		(200)
Repayment of bond, lease-purchase and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		131,796
In the statement of activities, interest is accrued and accreted on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		38,545
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>		
Compensated absences		81,769
Amortization of bond premiums		9,420
Deferred charges		(28,712)
Amortization of deferred amount on refunding		(6,398)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		<u>256,712</u>
 Change in Net Position of Governmental Activities	 <b>\$</b>	 <b><u>351,090</u></b>

# NEW MIAMI LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trusts	Agency Funds
<b>ASSETS</b>		
Equity in pooled cash	\$ 19,667	22,204
Total assets	<u>19,667</u>	<u>22,204</u>
<b>LIABILITIES</b>		
Accounts payable	3,185	-
Due to student groups	<u>-</u>	<u>22,204</u>
Total liabilities	<u>3,185</u>	<u>22,204</u>
<b>NET POSITION</b>		
Held in trust	\$ <u>16,482</u>	

See accompanying notes to the basic financial statements.

# NEW MIAMI LOCAL SCHOOL DISTRICT

## Statement of Changes in Net Position

### Fiduciary Funds

Year Ended June 30, 2014

	<u>Private Purpose Trusts</u>
<b>Additions:</b>	
Contributions	\$ <u>6,823</u>
Total additions	<u>6,823</u>
<b>Deductions:</b>	
Community gifts, awards and scholarships	<u>5,154</u>
Total deductions	<u>5,154</u>
Change in net position	1,669
Net position, beginning of year	<u>14,813</u>
Net position, end of year	\$ <u><u>16,482</u></u>

See accompanying notes to the basic financial statements.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**B. Basis of Presentation**

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

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

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

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

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**C. Fund Accounting**

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

**Governmental funds** focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's only major governmental fund:

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

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

**D. Basis of Accounting**

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**D. Basis of Accounting – *continued***

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

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

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

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

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

***Deferred inflows of resources.*** In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Receivables for property taxes represent amounts that are measurable as of June 30, 2014, but are intended to finance fiscal year 2015 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end).

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**E. Cash**

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

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

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

**F. Inventory**

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

**G. Capital Assets**

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

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**G. Capital Assets – *continued***

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

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

**H. Compensated Absences**

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

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

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

**I. Accrued Liabilities and Long-Term Obligations**

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

**J. Interfund Transactions**

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**K. Deferred Outflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District only has one item that qualifies for reporting in this category; deferred charge on refunding. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**L. Fund Balance**

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

***Nonspendable*** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

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

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

***Assigned*** – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

**L. Fund Balance – *continued***

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

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

**M. Net Position**

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

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

**N. Estimates**

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

**O. Fund Deficit**

At June 30, 2014, the following funds have a deficit fund balance:

Other Governmental Funds:	
Food Service	\$ 22,450
Special Education	9,945
Title I	547
Teacher Incentive	24,060

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**2. DEPOSITS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to be deposited or invested in the following securities:

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**2. DEPOSITS – *continued***

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$4,257,456 of the School District's bank balance of \$4,507,456 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**3. INCOME TAXES**

Effective in 1990, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2014, the School District recorded income tax revenue of \$496,404 in the entity-wide financials and a receivable as of June 30, 2014 of \$200,793.

**4. PROPERTY TAXES**

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**4. PROPERTY TAXES – *continued***

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of the prior January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property taxes revenue received in calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2014, was \$174,109 in the General Fund, and \$20,467 in Other Governmental Funds. The assessed values upon which fiscal year 2014 taxes were collected are:

	<u>2013 Second Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 45,875,270	94.53%	45,727,250	94.11%
Public Utilities Personal	<u>2,654,110</u>	5.47%	<u>2,863,010</u>	5.89%
Total Assessed Value	\$ <u><u>48,529,380</u></u>	100.00%	<u><u>48,590,260</u></u>	100.00%

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
<b>Governmental Activities</b>				
<b>Nondepreciable:</b>				
Land	\$ 428,932	-	-	428,932
<b>Depreciable:</b>				
Buildings and improvements	13,722,653	-	-	13,722,653
Equipment and furniture	1,899,176	44,623	(11,270)	1,932,529
Subtotal	<u>15,621,829</u>	<u>44,623</u>	<u>(11,270)</u>	<u>15,655,182</u>
Totals at historical cost	<u>16,050,761</u>	<u>44,623</u>	<u>(11,270)</u>	<u>16,084,114</u>
Less accumulated depreciation:				
Buildings and improvements	3,017,049	274,453	-	3,291,502
Equipment and furniture	1,503,307	173,069	(11,070)	1,665,306
Total accumulated depreciation	<u>4,520,356</u>	<u>447,522</u>	<u>(11,070)</u>	<u>4,956,808</u>
Capital assets, net	\$ <u>11,530,405</u>	<u>(402,899)</u>	<u>(200)</u>	<u>11,127,306</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 439,862
Support services:	
Administration	63
Operation and maintenance of plant	6,147
Food services	<u>1,450</u>
Total depreciation expense	\$ <u>447,522</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**6. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2014 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General fund	\$ 80,682	-	-	43,225
Other governmental funds	-	80,682	43,225	-
	<u>\$ 80,682</u>	<u>80,682</u>	<u>43,225</u>	<u>43,225</u>

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

**7. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

For fiscal year 2014, the School District participated in the Butler Health Plan, a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

**8. PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**8. PENSION PLANS – *continued***

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by, the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount the four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$68,000, \$83,000 and \$77,000, respectively, which equaled the required contributions each year.

**State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**8. PENSION PLANS – *continued***

The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchase credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service credit over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final years will be calculated at 2.5% instead of 2.2%.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan 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.

Under the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants. The DB and Combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs, and partial reimbursements of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**8. PENSION PLANS – *continued***

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouse and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage of up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members are required to contribute 11% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Maximum member contribution rates increase to 12% for fiscal year 2015, 13% for fiscal year 2016, and 14% for fiscal year 2017. The School District's required contributions to STRS Ohio for the years ended June 30, 2014, 2013, and 2012 were approximately \$442,000, \$423,000, and \$428,000, respectively. For 2014, 86% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

**Social Security System**

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2014 members of the Board of Education have elected social security. The School District's liability is 6.2% of wages paid.

**9. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012 were approximately \$32,000, \$30,000 and \$31,000, respectively. For 2014, 86% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

---

**9. POSTEMPLOYMENT BENEFITS – *continued***

SERS administers two postemployment benefit plans:

*Medicare Part B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The School District contributions for the years ended June 30, 2014, 2013, and 2012 were approximately \$4,000, \$4,000, and \$4,000, respectively, which equaled the required contributions each year.

*Health Care Plan* - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health care plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were approximately \$1,000, \$1,000, and \$3,000, respectively, which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**10. EMPLOYEE BENEFITS**

**Compensated Absences**

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

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term liabilities during fiscal year 2014 were as follows:

	Principal Outstanding 7/1/13	Additions	Deletions	Principal Outstanding 6/30/14	Due Within One Year
Series 2000 improvement bonds	\$ 69,888	-	(36,048)	33,840	33,840
Series 2010 refunding bonds	1,154,997	-	(25,000)	1,129,997	25,000
Premium on refunding bonds	89,490	-	(9,420)	80,070	-
Accreted interest on bonds	218,757	45,565	(83,952)	180,370	-
Lease-purchase agreements	229,000	-	(34,000)	195,000	36,000
Capital lease	65,045	-	(36,748)	28,297	28,297
Compensated absences	<u>211,122</u>	<u>19,107</u>	<u>(18,938)</u>	<u>211,291</u>	<u>103,911</u>
	<u>\$ 2,038,299</u>	<u>64,672</u>	<u>(244,106)</u>	<u>1,858,865</u>	<u>227,048</u>

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

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

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**11. LONG-TERM OBLIGATIONS – *continued***

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

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid, typically the General Fund. The School District's voted legal debt margin was \$3,209,286 with an unvoted debt margin of \$48,590 at June 30, 2014.

Principal and interest requirements to retire Series 2000 and 2010 bonds at June 30, 2014 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 58,840	121,135	179,975
2016	65,503	119,209	184,712
2017	54,494	125,218	179,712
2018	150,000	32,462	182,462
2019	155,000	27,695	182,695
2020-2023	680,000	51,367	731,367
Total	\$ <u>1,163,837</u>	<u>477,086</u>	<u>1,640,923</u>

Principal and interest requirements to retire the lease-purchase agreements at June 30, 2014 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 36,000	7,501	43,501
2016	37,000	5,974	42,974
2017	39,000	4,362	43,362
2018	40,000	2,673	42,673
2019	43,000	907	43,907
Total	\$ <u>195,000</u>	<u>21,417</u>	<u>216,417</u>

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

**12. CAPITAL LEASES – LESSEE DISCLOSURE**

On March 29, 2010, the District entered into a lease agreement for the use of five copiers. Assets acquired under these leases were \$177,150. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles. In the case of the copier lease, the term is sixty months. Capital lease payments have been reflected as debt service expenditures. The following is a schedule of the future minimum lease payments for the capital leases, and the present value of the future minimum lease payments at June 30, 2014:

	Year Ending June 30	
	2015	\$ 28,648
Total Future Minimum Lease Payments		28,648
Less: Amount Representing Interest		351
Present Value of Future Minimum Lease Payments		\$ 28,297

**13. FUND BALANCES**

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>			
Inventory	\$ 1,509	7,142	8,651
<b><i>Restricted for</i></b>			
Private Grants and Donations	-	13,914	13,914
Classroom Facilities Maintenance	-	189,409	189,409
Athletics	-	4,959	4,959
State Grant Programs	-	2,099	2,099
Federal Grant Programs	-	10	10
Debt Service Payments	-	289,658	289,658
Capital Improvements	-	13,775	13,775
<b><i>Total Restricted</i></b>	<b>-</b>	<b>513,824</b>	<b>513,824</b>
<b><i>Assigned to</i></b>			
Public School Support	22,249	-	22,249
Encumbrances	41,263	-	41,263
Budget Resource	3,346,396	-	3,346,396
<b><i>Total Assigned</i></b>	<b>3,409,908</b>	<b>-</b>	<b>3,409,908</b>
<b><i>Unassigned (Deficit)</i></b>	<b>8,517</b>	<b>(57,002)</b>	<b>(48,485)</b>
<b><i>Total Fund Balance</i></b>	<b>\$ 3,419,934</b>	<b>463,964</b>	<b>3,883,898</b>

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**14. INSURANCE PURCHASING POOL**

*Butler Health Plan*

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

**15. JOINTLY GOVERNED ORGANIZATIONS**

*Butler Technology and Career Development Schools*

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

*Southwestern Ohio Computer Association*

The Southwestern Ohio Computer Association (SWOCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortiums supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

**16. CONTINGENCIES**

**Litigation**

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

**State and Federal Funding**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**NEW MIAMI LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2014**

---

**17. REQUIRED SET-ASIDES**

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

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

	<u>Capital</u> <u>Improvements</u>
Set-aside reserve balance as of June 30, 2013	\$ -
Current year set-aside requirement	125,897
Current year qualifying expenditures	(311,986)
Current year offsets	<u>(11,532)</u>
Total	\$ <u><u>(197,621)</u></u>
Balance carried forward to fiscal year 2015	\$ <u><u>-</u></u>

Excess qualified expenditures for capital improvements do not carry forward.

**18. CHANGE IN ACCOUNTING PRINCIPLES**

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues). GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. GASB Statement No. 70 provides consistent reporting and disclosure requirements by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees.

The implementation of GASB Statements No. 66 and No. 70 did not have an effect on the financial statements of the School District. The implementation of GASB Statement No. 65 required the reclassification of deferred revenues to deferred inflows of resources, the reclassification of deferred charges on refunding from long-term liabilities to deferred outflows of resources, and the recognition of unamortized bond issuance costs as outflows of resources (expenses).

## NEW MIAMI LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	\$ 1,354,900	1,409,495	1,409,495	-
Interest	2,200	2,200	2,205	5
Intergovernmental	4,607,700	5,077,075	5,077,075	-
Other local revenues	10,000	7,886	7,886	-
<b>Total revenues</b>	<u>5,974,800</u>	<u>6,496,656</u>	<u>6,496,661</u>	<u>5</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,657,498	3,235,174	2,770,843	464,331
Special education	717,313	718,363	650,927	67,436
Other instruction	73,116	385,437	239,422	146,015
Support services:				
Pupil	330,455	353,955	337,642	16,313
Instructional staff	11,520	16,520	11,130	5,390
Board of Education	68,800	72,300	52,102	20,198
Administration	761,066	789,166	757,718	31,448
Fiscal	205,450	222,750	197,040	25,710
Business	18,000	18,000	16,963	1,037
Operation and maintenance of plant	867,725	876,725	811,554	65,171
Pupil transportation	543,600	545,100	447,082	98,018
Non-instructional services:				
Extracurricular activities	103,795	106,595	103,950	2,645
<b>Total expenditures</b>	<u>6,358,338</u>	<u>7,340,085</u>	<u>6,396,373</u>	<u>943,712</u>
Excess of revenues over expenditures	(383,538)	(843,429)	100,288	943,717
<b>Other financing sources (uses):</b>				
Transfers out	(60,000)	(60,000)	(43,225)	16,775
Advances in	-	1,465	1,465	-
Advances out	(1,500)	(21,500)	(21,230)	270
Other uses	(3,136,934)	(2,683,769)	-	2,683,769
Other sources	-	25,261	25,261	-
<b>Total other financing sources (uses):</b>	<u>(3,198,434)</u>	<u>(2,738,543)</u>	<u>(37,729)</u>	<u>2,700,814</u>
Net change in fund balance	(3,581,972)	(3,581,972)	62,559	3,644,531
Fund balance, beginning of year	3,571,002	3,571,002	3,571,002	
Prior year encumbrances appropriated	10,970	10,970	10,970	
Fund balance, end of year	\$ -	-	3,644,531	

See accompanying notes to required supplementary information.

# NEW MIAMI LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
Year Ended June 30, 2014

## Note A Budgetary Basis of Accounting

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

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

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

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

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

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

Net change in fund balance - GAAP Basis	\$	<u>293,330</u>
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund		(2,964)
Due to inclusion of Rotary Fund		9
Due to inclusion of Public School Support Fund		1,333
Due to revenues		(203,422)
Due to expenditures		92,600
Due to other sources (uses)		5,496
Due to encumbrances		<u>(123,823)</u>
Net change in fund balance - Budget Basis	\$	<u>62,559</u>

**New Miami Local School District**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 24,363	24,363
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2014	10.553	119,071	119,071
National School Lunch Program	LLP4-2014	10.555	308,534	308,534
<i>Cash Assistance Subtotal</i>			<u>427,605</u>	<u>427,605</u>
Nutrition Cluster Total			<u>451,968</u>	<u>451,968</u>
Total U.S. Department of Agriculture			<u>451,968</u>	<u>451,968</u>
<b>U.S. Department of Education:</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1-2013	84.010	28,773	44,407
Title I Grants to Local Educational Agencies	C1S1-2014	84.010	228,649	214,436
Title I Cluster Total			<u>257,422</u>	<u>258,843</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2013	84.027	9,564	18,570
Special Education - Grants to States	6BSF-2014	84.027	147,868	144,821
Special Education - Preschool Grants	PGS1-2014	84.173	2,954	2,954
Special Education Cluster Total			<u>160,386</u>	<u>166,345</u>
Improving Teacher Quality State Grants	TRS1-2014	84.367	40,360	40,360
Teacher Incentive Fund Cluster:				
Teacher Incentive Fund	2014	84.374	140,319	151,546
ARRA- Teacher Incentive Fund	2014	84.385	34,547	34,547
Teacher Incentive Fund Cluster Total			<u>174,866</u>	<u>186,093</u>
Total U.S. Department of Education			<u>633,034</u>	<u>651,641</u>
Total Federal Awards			\$ <u>1,085,002</u>	<u>1,103,609</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - NUTRITION CLUSTER

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

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
New Miami Local School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Miami Local School District ("School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 9, 2014, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control Over Financial Reporting**

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

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

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

one east fourth street, suite 1200  
cincinnati, OH 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 9, 2014

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

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
New Miami Local School District:

**Report on Compliance for Each Major Federal Program**

We have audited New Miami Local School District's ("School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

one east fourth street, suite 1200  
cincinnati, OH 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 9, 2014

**Section I - Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>Nutrition Cluster:</i>	
<i>CFDA 10.553 – School Breakfast Program</i>	
<i>CFDA 10.555 – National School Lunch Program</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

**None**

**Section III – Federal Award Findings and Questioned Costs**

**None**

**Section IV – Schedule of Prior Audit Findings**

**None**