

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

JILL AHLERS, TREASURER



Dave Yost • Auditor of State

Board of Education
New Bremen Local School District
901 East Monroe Street
New Bremen, Ohio 45869

We have reviewed the *Independent Auditor's Report* of the New Bremen Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The New Bremen Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 25, 2017

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

New Bremen Local School District
Auglaize County
901 East Monroe Street
New Bremen, Ohio 45869

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the New Bremen Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the New Bremen Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the New Bremen Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in Note 3.C. to the basic financial statements, during fiscal year 2016, the New Bremen Local District changed the presentation of its annual financial report from the cash basis of accounting to presenting its basic financial statements in accordance with accounting principles generally accepted in the United States of America. 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 this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the New Bremen Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Bremen Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 19, 2016

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The Management's Discussion and Analysis of the New Bremen Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$901,987 which represents a 19.68% increase from 2015.
- General revenues accounted for \$8,813,198 in revenue or 83.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,710,536 or 16.25% of total revenues of \$10,523,734.
- The District had \$9,621,747 in expenses related to governmental activities; only \$1,710,536 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,813,198 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the Bond Retirement fund. The general fund had \$8,593,454 in revenues and \$8,301,161 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$292,293 from \$5,375,978 to \$5,668,271.
- The Bond Retirement fund had \$839,281 in revenues and \$715,839 in expenditures. During fiscal year 2016, the Bond Retirement's fund balance increased \$123,442 from \$745,344 to \$868,786.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and Bond Retirement fund are by far the most significant funds, and are the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services and extracurricular activities,

The District's Statement of Net Position and Statement of Activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the Bond Retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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. These notes to the basic financial statements can be found on pages 25-56 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 58 through 64 of this report.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015. The net position at June 30, 2015 has restated as described in Note 3.C.

	Net Position	
	Governmental Activities 2016	Restated Governmental Activities 2015
<u>Assets</u>		
Current and other assets	\$ 10,169,941	\$ 9,836,596
Capital assets, net	<u>11,949,560</u>	<u>12,275,343</u>
Total assets	<u>22,119,501</u>	<u>22,111,939</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>1,160,141</u>	<u>748,281</u>
Total deferred outflows of resources	<u>1,160,141</u>	<u>748,281</u>
<u>Liabilities</u>		
Current liabilities	1,062,951	978,995
Long-term liabilities:		
Due within one year	761,224	704,823
Due in more than one year:		
Net pension liability	11,569,173	10,551,012
Other amounts	<u>1,257,146</u>	<u>1,938,756</u>
Total liabilities	<u>14,650,494</u>	<u>14,173,586</u>
<u>Deferred Inflows of Resources</u>		
Property taxes, PILOTs levied for next year, and unamortized deferred inflows on debt refunding	2,027,103	2,191,076
Pensions	<u>1,116,712</u>	<u>1,912,212</u>
Total deferred inflows of resources	<u>3,143,815</u>	<u>4,103,288</u>
<u>Net Position</u>		
Net investment in capital assets	10,410,774	10,006,532
Restricted	1,338,409	1,275,367
Unrestricted (deficit)	<u>(6,263,850)</u>	<u>(6,698,553)</u>
Total net position	<u>\$ 5,485,333</u>	<u>\$ 4,583,346</u>

During a prior year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

As a result of implementing GASB 68 and GASB 71, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$5,485,333.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

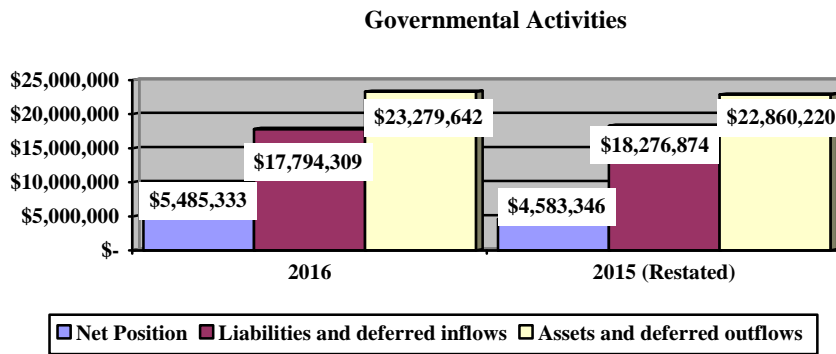
At year-end, capital assets represented 51.33% of total assets. Capital assets include land, land improvements, buildings and improvements, improvements other than buildings, furniture and equipment, infrastructure and vehicles. Net investment in capital assets at June 30, 2016, were \$10,410,774. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Assets of the District increased \$7,562 or 0.01%. This increase is primarily the result of an increase in cash and cash equivalents.

Liabilities of the District increased \$476,908 or 3.36%. The most significant increases were in the area of long-term liabilities. Long-term liabilities increased due to the retirement of general obligation bonds and a large increase in net pension liability.

A portion of the District's net position, \$1,338,409, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$6,263,850).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and 2015. The amounts at June 30, 2015 have been restated as described in Note 3.C.



The table below shows the change in net position for fiscal years 2016 and 2015. The net position at June 30, 2015 has been restated in Note 3.C.

	Change in Net Position	
	Governmental Activities 2016	Restated Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	\$ 874,397	\$ 776,195
Operating grants and contributions	818,292	707,496
Capital grants and contributions	17,847	48,630
General revenues:		
Property taxes	3,146,037	2,835,137
Income taxes	1,537,723	1,521,309
Payments in-lieu of taxes	39,963	39,963
Grants and entitlements	4,016,913	3,957,948
Investment earnings	66,639	60,674
Miscellaneous	5,923	39,053
Total revenues	\$ 10,523,734	\$ 9,986,405

(Continued)

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change in Net Position (Continued)

	Governmental Activities <u>2016</u>	Restated Governmental Activities <u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,447,365	\$ 4,261,666
Special	818,258	767,932
Vocational	174,832	147,773
Other	25,025	35,585
Support services:		
Pupil	613,338	626,641
Instructional staff	266,428	277,192
Board of education	73,688	58,824
Administration	751,722	760,935
Fiscal	206,809	213,257
Operations and maintenance	1,025,559	1,000,867
Pupil transportation	218,874	300,811
Central	92,183	82,644
Operations of non-instructional services		
Other non-instructional services	3,300	-
Food service operations	313,131	257,279
Extracurricular activities	574,312	498,464
Interest and fiscal charges	<u>16,923</u>	<u>110,349</u>
Total expenses	<u>9,621,747</u>	<u>9,400,219</u>
Change in net position	901,987	586,186
Net position at beginning of year (restated)	<u>4,583,346</u>	<u>3,997,160</u>
Net position at end of year	<u>\$ 5,485,333</u>	<u>\$ 4,583,346</u>

Governmental Activities

Net position of the District's governmental activities increased \$901,987. Total governmental expenses of \$9,621,747 were offset by program revenues of \$1,710,536 and general revenues of \$8,813,198. Program revenues supported 17.78% of the total governmental expenses.

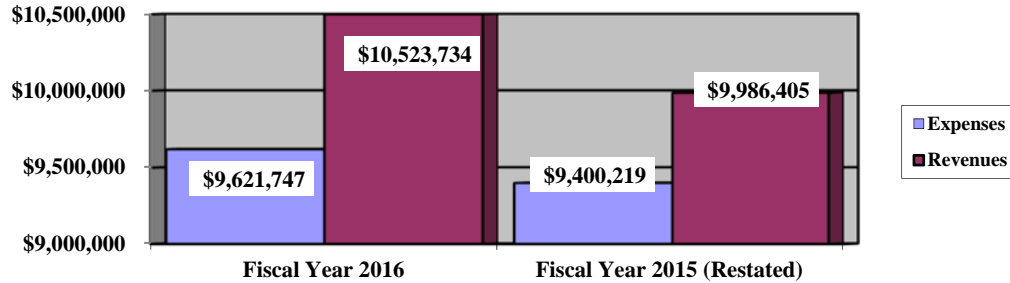
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 68.44% of total governmental revenue. Real estate property is reappraised every six years.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Restated Total Cost of Services 2015	Restated Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 4,447,365	\$ 3,785,443	\$ 4,261,666	\$ 3,788,466
Special	818,258	353,400	767,932	256,652
Vocational	174,832	139,940	147,773	92,784
Other	25,025	25,025	35,585	35,585
Support services:				
Pupil	613,338	613,338	626,641	626,641
Instructional staff	266,428	266,428	277,192	277,192
Board of education	73,688	73,688	58,824	58,824
Administration	751,722	751,714	760,935	760,935
Fiscal	206,809	205,805	213,257	211,209
Operation and maintenance	1,025,559	994,251	1,000,867	954,361
Pupil transportation	218,874	193,698	300,811	281,458
Central	92,183	92,183	82,644	82,644
Operations of non-instructional services				
Other non-instructional services	3,300	3,300	-	-
Food service operations	313,131	45,094	257,279	20,640
Extracurricular activities	574,312	350,981	498,464	310,158
Interest and fiscal charges	16,923	16,923	110,349	110,349
Total expenses	<u>\$ 9,621,747</u>	<u>\$ 7,911,211</u>	<u>\$ 9,400,219</u>	<u>\$ 7,867,898</u>

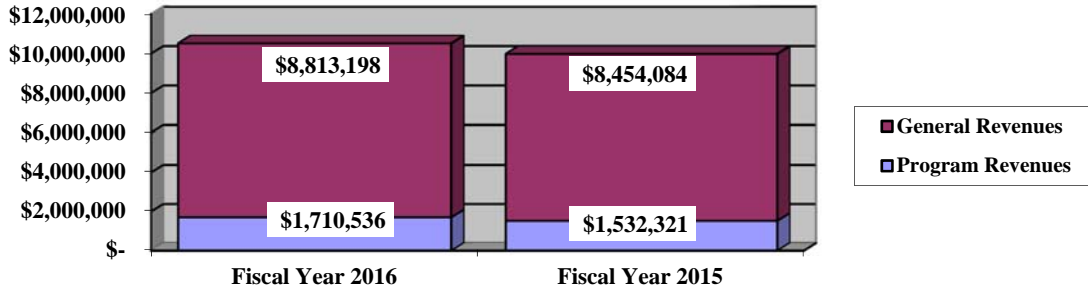
The dependence upon tax and other general revenues for governmental activities is apparent, 78.76% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.72%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the Balance Sheet on page 17) reported a combined fund balance of \$6,992,382, which is a higher balance than last year's total balance of \$6,663,030. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015. The net position at June 30, 2015 has been restated in Note 3.C.

	Fund Balance June 30, 2016	Restated Fund Balance June 30, 2015	Change
General	\$ 5,668,271	\$ 5,375,978	\$ 292,293
Bond Retirement	868,786	745,344	123,442
Other Governmental	455,325	541,708	(86,383)
Total	<u>\$ 6,992,382</u>	<u>\$ 6,663,030</u>	<u>\$ 329,352</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

General Fund

The District's general fund balance increased \$292,293. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2016 <u>Amount</u>	Restated 2015 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,989,070	\$ 3,707,567	\$ 281,503	7.59 %
Tuition	372,998	312,374	60,624	19.41 %
Earnings on investments	66,608	58,237	8,371	14.37 %
Intergovernmental	4,061,571	4,067,289	(5,718)	(0.14) %
Other revenues	<u>103,207</u>	<u>132,238</u>	<u>(29,031)</u>	(21.95) %
Total	<u>\$ 8,593,454</u>	<u>\$ 8,277,705</u>	<u>\$ 315,749</u>	3.81 %
<u>Expenditures</u>				
Instruction	\$ 5,005,622	\$ 4,875,711	\$ 129,911	2.66 %
Support services	2,992,384	3,214,983	(222,599)	(6.92) %
Extracurricular activities	279,855	260,263	19,592	7.53 %
Operation of non-instructional services	<u>3,300</u>	<u>-</u>	<u>3,300</u>	100.00 %
Total	<u>\$ 8,281,161</u>	<u>\$ 8,350,957</u>	<u>\$ (69,796)</u>	(0.84) %

Revenues of the general fund increased \$315,749 or 3.81%. Tuition increased \$60,624 or 19.41% due primarily to increases in open enrollment. Earnings on investments increased \$8,371 or 14.37% due primarily to declining interest rate market and more investments. Other revenues decreased \$29,031 or 21.95% primarily due to a decrease in classroom materials and fees.

Expenditures of the general fund decreased \$69,796 or 0.84%. Expenditures remained comparable to the prior year decreasing by less than one percent due to diligent and prudent planning by the District.

Bond Retirement Fund

The Bond Retirement fund had \$839,281 in revenues and \$715,839 in expenditures. During fiscal year 2016, the Bond Retirement's fund balance increased \$123,442 from \$745,344 to \$868,786.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2016, the District did not amend its general fund budget. For the general fund, original revenues and other financing source of \$8,154,420 remained constant in the final budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2016 was \$8,434,114. This represents a \$279,694 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$8,940,270 were left the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$8,330,519, which was \$609,751 less than the final budget appropriations.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$11,949,560 invested in land, land improvements, buildings and improvements, improvements other than buildings, furniture and equipment infrastructure and vehicles. This entire amount is reported in governmental activities. The net position at June 30, 2015 has been restated in Note 3.C.

The following table shows June 30, 2016 balances compared to June 30, 2015:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>Restated 2015</u>
Land	\$ 1,025,092	\$ 1,025,092
Land improvements	183,611	210,448
Building and improvements	9,752,952	9,942,280
Improvements other than buildings	349,821	372,738
Furniture and equipment	404,831	458,551
Vehicles	165,761	197,157
Infrastructure	<u>67,492</u>	<u>69,077</u>
Total	<u>\$ 11,949,560</u>	<u>\$ 12,275,343</u>

Total additions to capital assets for 2016 were \$11,125. The District recorded \$331,783 in depreciation expense and \$5,125 in disposals (net of accumulated depreciation) for fiscal year 2016.

Refer to Note 10 in the basic financial statements for further detail on the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$1,475,000 in general obligation refunding bonds. Of this total, \$735,000 is due within one year and \$740,000 is due within more than one year. The following table summarizes the bonds outstanding.

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
	General obligation refunding bonds	<u>\$ 1,475,000</u>

At June 30, 2016, the District's voted debt margin was \$9,643,530 with an unvoted debt margin of \$113,886.

See Note 15 to the basic financial statements for further detail on the District's debt administration.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Current Financial Related Activities

The Board of Education welcomed one new member during calendar year 2016, Cory Suchland.

The Board of Education began pre-bond work for a building issue which will be on the May, 2017 ballot. This follows two building levy defeats over the past several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jill Ahlers, Treasurer, New Bremen LSD, 901 East Monroe Street, New Bremen, Ohio 45869

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 6,678,291
Receivables:	
Property taxes	2,684,803
Income taxes.	645,583
Payment in lieu of taxes	39,963
Accounts.	6,137
Accrued interest	8,117
Intergovernmental	37,032
Prepayments	66,088
Materials and supplies inventory.	386
Inventory held for resale.	3,541
Capital assets:	
Nondepreciable capital assets	1,025,092
Depreciable capital assets, net.	10,924,468
Capital assets, net	<u>11,949,560</u>
Total assets.	<u>22,119,501</u>
Deferred outflows of resources:	
Pension - STRS	987,554
Pension - SERS	172,587
Total deferred outflows of resources	<u>1,160,141</u>
Liabilities:	
Accounts payable.	84,826
Accrued wages and benefits payable	818,988
Intergovernmental payable	40,432
Pension and postemployment benefits payable	117,583
Accrued interest payable	1,122
Long-term liabilities:	
Due within one year.	761,224
Due in more than one year:	
Net pension liability	11,569,173
Other amounts due in more than one year .	1,257,146
Total liabilities	<u>14,650,494</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	1,923,354
Payment in lieu of taxes levied for the next fiscal year	39,963
Unamortized deferred inflows on debt refunding	63,786
Pension - STRS.	953,394
Pension - SERS.	163,318
Total deferred inflows of resources	<u>3,143,815</u>
Net position:	
Net investment in capital assets	10,410,774
Restricted for:	
Capital projects	208,617
Debt service.	867,870
Locally funded programs	182,534
Student activities	79,388
Unrestricted (deficit)	(6,263,850)
Total net position.	<u>\$ 5,485,333</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,447,365	\$ 411,864	\$ 249,895	\$ 163	\$ (3,785,443)
Special	818,258	-	464,858	-	(353,400)
Vocational	174,832	-	34,892	-	(139,940)
Other	25,025	-	-	-	(25,025)
Support services:					
Pupil.	613,338	-	-	-	(613,338)
Instructional staff	266,428	-	-	-	(266,428)
Board of education	73,688	-	-	-	(73,688)
Administration.	751,722	-	8	-	(751,714)
Fiscal.	206,809	-	-	1,004	(205,805)
Operations and maintenance	1,025,559	14,628	-	16,680	(994,251)
Pupil transportation.	218,874	15,916	9,260	-	(193,698)
Central	92,183	-	-	-	(92,183)
Operation of non-instructional services:					
Other non-instructional services	3,300	-	-	-	(3,300)
Food service operations	313,131	208,929	59,108	-	(45,094)
Extracurricular activities.	574,312	223,060	271	-	(350,981)
Interest and fiscal charges	16,923	-	-	-	(16,923)
Total governmental activities	\$ 9,621,747	\$ 874,397	\$ 818,292	\$ 17,847	(7,911,211)
General revenues:					
Property taxes levied for:					
General purposes					2,419,224
Debt service.					645,760
Capital outlay.					81,053
Payments in lieu of taxes.					39,963
Income taxes levied for:					
General purposes					1,537,723
Grants and entitlements not restricted to specific programs					4,016,913
Investment earnings					66,639
Miscellaneous					5,923
Total general revenues					8,813,198
Change in net position					901,987
Net position at beginning of year (restated)					4,583,346
Net position at end of year.					\$ 5,485,333

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 5,429,878	\$ 712,147	\$ 536,266	\$ 6,678,291
Receivables:				
Property taxes	2,048,152	567,003	69,648	2,684,803
Income taxes	645,583	-	-	645,583
Payment in lieu of taxes	39,963	-	-	39,963
Accounts	5,437	-	700	6,137
Accrued interest	8,117	-	-	8,117
Intergovernmental	35,967	-	1,065	37,032
Prepayments	66,088	-	-	66,088
Materials and supplies inventory	-	-	386	386
Inventory held for resale	-	-	3,541	3,541
Total assets	<u>\$ 8,279,185</u>	<u>\$ 1,279,150</u>	<u>\$ 611,606</u>	<u>\$ 10,169,941</u>
Liabilities:				
Accounts payable	\$ 13,899	\$ -	\$ 70,927	\$ 84,826
Accrued wages and benefits payable	793,766	-	25,222	818,988
Intergovernmental payable	40,431	-	1	40,432
Pension and postemployment benefits payable	108,309	-	9,274	117,583
Total liabilities	<u>956,405</u>	<u>-</u>	<u>105,424</u>	<u>1,061,829</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	1,463,427	410,158	49,769	1,923,354
Payment in lieu of taxes levied for the next fiscal year	39,963	-	-	39,963
Delinquent property tax revenue not available	686	206	23	915
Income tax revenue not available	111,611	-	-	111,611
Intergovernmental revenue not available	26,721	-	-	26,721
Accrued interest not available	2,855	-	-	2,855
Miscellaneous revenue not available	9,246	-	1,065	10,311
Total deferred inflows of resources	<u>1,654,509</u>	<u>410,364</u>	<u>50,857</u>	<u>2,115,730</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	386	386
Prepays	66,088	-	-	66,088
Restricted:				
Debt service	-	868,786	-	868,786
Capital improvements	-	-	208,594	208,594
Other purposes	-	-	182,534	182,534
Extracurricular	-	-	79,388	79,388
Assigned:				
Student and staff support	14,590	-	-	14,590
Subsequent year's appropriations	342,774	-	-	342,774
School supplies	56,314	-	-	56,314
Unassigned (deficit)	5,188,505	-	(15,577)	5,172,928
Total fund balances	<u>5,668,271</u>	<u>868,786</u>	<u>455,325</u>	<u>6,992,382</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,279,185</u>	<u>\$ 1,279,150</u>	<u>\$ 611,606</u>	<u>\$ 10,169,941</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	6,992,382
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			11,949,560
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	915	
Income taxes receivable		111,611	
Accrued interest receivable		2,855	
Intergovernmental receivable		37,032	
Total		152,413	152,413
Unamortized premiums on bonds issued are not recognized in the funds.			45,025
Unamortized amounts on refundings are not recognized in the funds.			(108,811)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(1,122)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		1,160,141	
Deferred Inflows - Pension		(1,116,712)	
Net pension liability		(11,569,173)	
Total		(11,525,744)	(11,525,744)
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		(1,475,000)	
Compensated absences		(543,370)	
Total		(2,018,370)	(2,018,370)
Net position of governmental activities		\$	5,485,333

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,420,127	\$ 646,031	\$ 81,084	\$ 3,147,242
Income taxes	1,528,980	-	-	1,528,980
Payment in lieu of taxes	39,963	-	-	39,963
Tuition	372,998	-	-	372,998
Transportation fees	15,916	-	-	15,916
Earnings on investments	66,608	-	996	67,604
Charges for services	-	-	208,929	208,929
Extracurricular	27,874	-	195,186	223,060
Classroom materials and fees	38,866	-	-	38,866
Rental income	14,628	-	920	15,548
Contributions and donations	984	-	236,671	237,655
Other local revenues	4,939	-	-	4,939
Intergovernmental - state	4,018,893	193,250	22,460	4,234,603
Intergovernmental - federal	42,678	-	311,072	353,750
Total revenues	<u>8,593,454</u>	<u>839,281</u>	<u>1,057,318</u>	<u>10,490,053</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,228,377	-	211,451	4,439,828
Special	594,055	-	230,535	824,590
Vocational	157,458	-	4,380	161,838
Other	25,732	-	-	25,732
Support services:				
Pupil	604,563	-	-	604,563
Instructional staff	254,288	-	-	254,288
Board of education	70,678	-	-	70,678
Administration	759,900	-	8	759,908
Fiscal	189,998	10,281	1,288	201,567
Operations and maintenance	828,704	-	21,408	850,112
Pupil transportation	192,070	-	256	192,326
Central	92,183	-	-	92,183
Operation of non-instructional services:				
Other operation of non-instructional	3,300	-	-	3,300
Food service operations	-	-	304,152	304,152
Extracurricular activities	279,855	-	212,025	491,880
Facilities acquisition and construction	-	-	176,315	176,315
Debt service:				
Principal retirement	-	685,000	-	685,000
Interest and fiscal charges	-	20,558	-	20,558
Total expenditures	<u>8,281,161</u>	<u>715,839</u>	<u>1,161,818</u>	<u>10,158,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>312,293</u>	<u>123,442</u>	<u>(104,500)</u>	<u>331,235</u>
Other financing sources (uses):				
Transfers in	-	-	20,000	20,000
Transfers (out)	(20,000)	-	-	(20,000)
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	292,293	123,442	(84,500)	331,235
Fund balances at beginning of year (restated)	5,375,978	745,344	541,708	6,663,030
Decrease in reserve for inventory	-	-	(1,883)	(1,883)
Fund balances at end of year	<u>\$ 5,668,271</u>	<u>\$ 868,786</u>	<u>\$ 455,325</u>	<u>\$ 6,992,382</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds	\$	331,235
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 11,125	
Current year depreciation	<u>(331,783)</u>	
Total		(320,658)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(5,125)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(1,883)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(1,205)	
Income taxes	8,743	
Tuition	(578)	
Intergovernmental	<u>28,390</u>	
Total		35,350
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		685,000
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
		45,025
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Total		3,635
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		684,591
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(495,392)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(59,791)</u>
Change in net position of governmental activities	\$	<u>901,987</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 2,192,998	\$ 2,144,429	\$ 2,240,760	\$ 96,331
Income taxes.	1,478,346	1,490,437	1,526,910	36,473
Payment in lieu of taxes.	39,963	39,963	39,963	-
Tuition.	305,501	308,000	370,945	62,945
Transportation fees.	12,895	13,000	15,916	2,916
Earnings on investments	44,635	45,000	74,949	29,949
Rental income	4,959	5,000	14,693	9,693
Contributions and donations	32,732	33,000	33,984	984
Other local revenues	4,635	5,000	2,227	(2,773)
Intergovernmental - state	4,007,813	4,040,591	4,040,928	337
Intergovernmental - federal	6,943	7,000	17,503	10,503
Total revenues	8,131,420	8,131,420	8,378,778	247,358
Expenditures:				
Current:				
Instruction:				
Regular	4,495,313	4,457,254	4,171,166	286,088
Special.	612,950	621,057	606,791	14,266
Vocational.	179,361	167,445	152,163	15,282
Other.	35,031	33,130	25,638	7,492
Support services:				
Pupil.	672,803	673,954	649,648	24,306
Instructional staff	338,667	338,667	272,895	65,772
Board of education	61,505	78,856	71,295	7,561
Administration.	788,157	792,110	764,291	27,819
Fiscal	191,372	191,372	184,027	7,345
Operations and maintenance.	991,089	991,089	870,576	120,513
Pupil transportation	212,741	214,342	192,589	21,753
Central.	98,363	102,242	91,455	10,787
Extracurricular activities.	242,918	258,752	257,985	767
Total expenditures	8,920,270	8,920,270	8,310,519	609,751
Excess (deficiency) of revenues over (under) expenditures.	(788,850)	(788,850)	68,259	857,109
Other financing sources (uses):				
Refund of prior year's expenditures	23,000	23,000	52,340	29,340
Transfers (out).	(20,000)	(20,000)	(20,000)	-
Sale of capital assets	-	-	2,996	2,996
Total other financing sources (uses)	3,000	3,000	35,336	32,336
Net change in fund balance	(785,850)	(785,850)	103,595	889,445
Fund balance at beginning of year	5,228,386	5,228,386	5,228,386	-
Prior year encumbrances appropriated	400	400	400	-
Fund balance at end of year	\$ 4,442,936	\$ 4,442,936	\$ 5,332,381	\$ 889,445

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 10,018	\$ 31,712
Receivables:		
Accounts	-	284
Accrued interest.	4	-
Total assets.	10,022	\$ 31,996
Liabilities:		
Due to students.	-	\$ 31,996
Total liabilities	-	\$ 31,996
Net position:		
Held in trust for scholarships	10,022	
Total net position.	\$ 10,022	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 60
Total additions.	60
 Deductions:	
Scholarships awarded	75
Change in net position	(15)
 Net position at beginning of year.	10,037
Net position at end of year	\$ 10,022

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

New Bremen Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. 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 and federal guidelines.

The School District is staffed by 34 classified employees, 58 certified teaching personnel, and 7 administrative employees who provide services to 752 students and other community members. The School District currently operates two instructional buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For New Bremen Local 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the New Bremen Local School District.

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Ohio School Plan, Mercer-Auglaize Area Schools Employee Welfare Benefit Trust, and the Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

The basic financial statements of New Bremen Local 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. Following are the more significant of the School District's accounting policies.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

B. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest 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 - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in two categories, governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's major funds are the General Fund and the Bond Retirement fund.

General Fund - The General 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for non-instructional activities and for various student- managed activities.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Revenues - Exchange and Nonexchange 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. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow 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 funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Expenses/Expenditures - On the accrual basis, expenses are recognized at the time they are incurred.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the summary of levy funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The summary of levy funds provides the County Budget Commission information on the estimated receipts and expenditures for those funds that receive property tax revenues. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level within the General Fund and the function and object level in all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year-end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

G. Cash and Investments

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

During fiscal year 2016, investments included nonnegotiable certificates of deposit, negotiable certificates of deposit, U.S Treasury money market fund, mutual funds, and investments in the State Treasury Asset Reserve (STAR Ohio). The School District's investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2016.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 was \$66,608, which included \$12,161 assigned from other School District funds.

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Capital Assets

All of the School District's capital assets are general capital assets which generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five-thousand dollars. Improvements are capitalized and 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.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 100 Years
Buildings and Improvements	20 - 100 Years
Improvements Other Than Buildings	20 - 75 Years
Furniture and Equipment	6 - 100 Years
Vehicles	10 - 15 Years
Infrastructure	20 - 100 Years

J. Deferred Inflows on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred inflows of resources on the statement of net position.

K. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services provided are reported as "Interfund Loans Receivables/Payables". Interfund balances are eliminated on the statement of net position. The School District had no interfund balances at June 30, 2016.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

L. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 School District records a liability for accumulated unused sick leave for all employees that are eligible to retire within the next five years.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as liabilities on the fund financial statements when due.

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or Laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). 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.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

P. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Estimates

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

R. Pensions

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

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the School District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 9,259
IDEA Part-B	4,334
Title I	1,598

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

C. Restatement of Net Position/Fund Balances

For the fiscal year ended June 30, 2016, the District has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the District has (1) converted its governmental funds to the modified accrual basis of accounting and (2) converted its governmental activities to the accrual basis of accounting.

Modified Accrual Basis Adjustments – the conversion of the governmental funds from the cash-basis of accounting to the modified accrual basis of accounting required certain adjustments to be recorded at June 30, 2015 to the fund cash balances as previously reported to reflect the prior year’s effect of adopting these new accounting principles.

The restatement to the June 30, 2015 fund cash balances for the governmental funds follows:

	<u>Cash Balance</u> <u>June 30, 2015</u>	<u>Accrual Basis</u> <u>Adjustments</u>	<u>Fund Balance</u> <u>July 1, 2015</u>
Governmental fund:			
General fund	\$ 5,298,654	\$ 77,324	\$ 5,375,978
Bond retirement fund	628,668	116,676	745,344
Nonmajor governmental funds	<u>458,771</u>	<u>82,937</u>	<u>541,708</u>
Total governmental funds	<u>\$ 6,386,093</u>	<u>\$ 276,937</u>	<u>\$ 6,663,030</u>

Under GAAP, the District’s government-wide financial statements are prepared on the accrual basis of accounting. The government-wide financial statements show the District’s programs for governmental activities. The conversion of the governmental activities from the cash-basis of accounting to the accrual basis of accounting required certain adjustments to be recorded at June 30, 2015 to the net cash position as previously reported to reflect the prior year’s effect of adopting these new accounting principles.

Fiduciary Activities - Agency funds do not report fund balances; therefore no transition is required to restate the beginning net cash position.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The restatement to the June 30, 2015 net cash position for the governmental activities follows:

	Governmental Activities
Net cash position, June 30, 2015	\$ 6,386,093
Modified accrual basis adjustments	276,937
Accrual basis adjustments:	
Capital assets, net	12,275,343
Long-term unavailable assets	117,063
Unamortized deferred gain on refunding	(108,811)
Deferred outflows - pension	748,281
Deferred inflows - pension	(1,912,212)
Net pension liability	(10,551,012)
Compensated absences payable	(483,579)
Accrued interest payable	(4,757)
Long-term debt	(2,160,000)
Restated net position, July 1, 2015	\$ 4,583,346

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

At fiscal year-end, the School District had \$150 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all School District deposits was \$1,170,702. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$979,793 of the School District's bank balance of \$1,253,342 was exposed to custodial risk as discussed below, while \$273,549 was covered by the FDIC.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2016, the School District had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,267,579	\$ 1,267,579	\$ -	\$ -	\$ -	\$ -
Negotiable CD	4,276,619	150,074	745,826	1,803,172	1,324,187	253,360
U.S. Treasury money market fund	<u>4,971</u>	<u>4,971</u>	-	-	-	-
Total	<u>\$ 5,549,169</u>	<u>\$ 1,422,624</u>	<u>\$ 745,826</u>	<u>\$ 1,803,172</u>	<u>\$ 1,324,187</u>	<u>\$ 253,360</u>

The District's investments in federal agency securities, negotiable certificates of deposit, commercial paper and U.S. Treasury notes are valued using quoted market prices (Level 1 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The negotiable certificates of deposit are partially insured by FDIC or SIPC insurance. The money market mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds in eligible securities must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of each investment to the total portfolio:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,267,579	22.84
Negotiable CD	4,276,619	77.07
U.S. Treasury money market fund	<u>4,971</u>	<u>0.09</u>
Total	<u>\$ 5,549,169</u>	<u>100.00</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 1,170,702
Investments	5,549,169
Cash on hand	150
Total	<u>\$ 6,720,021</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,678,291
Private-purpose trust funds	10,018
Agency funds	31,712
Total	<u>\$ 6,720,021</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year 2016 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental fund	<u>\$ 20,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2016, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6 - RECEIVABLES - (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental activities:	
Property taxes	\$ 2,684,803
Income taxes	645,583
Payments in lieu of taxes	39,963
Accounts	6,137
Accrued interest	8,117
Intergovernmental	<u>37,032</u>
Total	<u>\$ 3,421,635</u>

NOTE 7 - INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, for five years. On May 5, 2009, the income tax levy was renewed by the voters for an additional five years beginning on January 1, 2010. On May 6, 2014, the income tax levy was passed by the voters as a continuing levy. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 8 - PROPERTY TAXES - (Continued)

The District receives property taxes from Auglaize, Mercer and Shelby Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$584,039 in the general fund, \$156,639 in the bond retirement fund and \$19,856 in the replacement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$404,672 in the general fund, \$116,676 in the bond retirement fund and \$13,791 in the replacement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 109,831,250	97.50	\$ 110,998,520	97.46
Public utility personal	<u>2,820,420</u>	<u>2.50</u>	<u>2,887,520</u>	<u>2.54</u>
Total	<u>\$ 112,651,670</u>	<u>100.00</u>	<u>\$ 113,886,040</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$56.85		\$49.85

NOTE 9 - PAYMENT IN LIEU OF TAXES

According to State law, the Village of New Bremen has entered into agreements with a number of property owners under which the Village has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the Village which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows. The capital assets at July 1, 2015 have been restated as described in Note 3.C.

	Restated Balance <u>07/01/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/16</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,025,092	\$ -	\$ -	\$ 1,025,092
Total capital assets, not being depreciated	<u>1,025,092</u>	<u>-</u>	<u>-</u>	<u>1,025,092</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	677,194	-	-	677,194
Buildings and improvements	13,649,178	-	-	13,649,178
Improvements Other Than Buildings	703,922	-	-	703,922
Furniture and equipment	1,111,996	11,125	(15,000)	1,108,121
Vehicles	642,130	-	-	642,130
Infrastructure	<u>94,299</u>	<u>-</u>	<u>-</u>	<u>94,299</u>
Total capital assets, being depreciated	<u>16,878,719</u>	<u>11,125</u>	<u>(15,000)</u>	<u>16,874,844</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(466,746)	(26,837)	-	(493,583)
Buildings and improvements	(3,706,898)	(189,328)	-	(3,896,226)
Improvements Other Than Buildings	(331,184)	(22,917)	-	(354,101)
Furniture and equipment	(653,445)	(59,720)	9,875	(703,290)
Vehicles	(444,973)	(31,396)	-	(476,369)
Infrastructure	<u>(25,222)</u>	<u>(1,585)</u>	<u>-</u>	<u>(26,807)</u>
Total accumulated depreciation	<u>(5,628,468)</u>	<u>(331,783)</u>	<u>9,875</u>	<u>(5,950,376)</u>
Governmental activities capital assets, net	<u>\$ 12,275,343</u>	<u>\$ (320,658)</u>	<u>\$ (5,125)</u>	<u>\$ 11,949,560</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 109,278
Special	7,678
Vocational	14,521
<u>Support services:</u>	
Pupil	11,924
Instructional staff	14,538
Board of education	3,173
Administration	13,830
Fiscal	6,346
Operations and maintenance	12,519
Pupil transportation	29,572
Extracurricular activities	97,708
Food service operations	<u>10,696</u>
Total depreciation expense	<u>\$ 331,783</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters.

During fiscal year 2016, the District contracted for the following insurance coverage:

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$ 3,000,000
Aggregate	5,000,000

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	37,612,759
Automobile Liability	1,000,000
Excess Liability	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2016, the District participated in the Ohio School Plan (the "Plan"), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The District participates in the Mercer-Auglaize Area Schools Employee Welfare Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The District participates in the Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$142,118 for fiscal year 2016. Of this amount, \$11,836 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$542,473 for fiscal year 2016. Of this amount, \$88,736 is reported as pension and postemployment benefits payable.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,843,965	\$ 9,725,208	\$ 11,569,173
Proportion of the net pension liability	0.03231570%	0.03518899%	
Pension expense	\$ 83,948	\$ 411,444	\$ 495,392

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 30,469	\$ 445,081	\$ 475,550
District contributions subsequent to the measurement date	<u>142,118</u>	<u>542,473</u>	<u>684,591</u>
Total deferred outflows of resources	<u>\$ 172,587</u>	<u>\$ 987,554</u>	<u>\$ 1,160,141</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 75,243	\$ 732,746	\$ 807,989
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	<u>88,075</u>	<u>220,648</u>	<u>308,723</u>
Total deferred inflows of resources	<u>\$ 163,318</u>	<u>\$ 953,394</u>	<u>\$ 1,116,712</u>

\$684,591 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (54,829)	\$ (223,528)	\$ (278,357)
2018	(54,829)	(223,528)	(278,357)
2019	(54,829)	(223,526)	(278,355)
2020	31,638	162,269	193,907
Total	<u>\$ (132,849)</u>	<u>\$ (508,313)</u>	<u>\$ (641,162)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 2,556,917	\$ 1,843,965	\$ 1,243,601

**NEW BREMEN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 13,509,047	\$ 9,725,208	\$ 6,525,407

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$15,950.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$15,950, \$24,946, and \$1,252, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$37,186, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, and the treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees may accumulate sick leave up to a maximum of two-hundred-forty days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty days.

B. Health Care Benefits

The School District offers medical and dental insurance to most employees through the Mercer-Auglaize Area Schools Employee Welfare Benefit Trust. In addition, the School District offers life insurance through American United Life Insurance Company.

C. Separation Benefit

The School District provides a separation benefit to eligible certified employees. A full-time employee who elects to retire within thirty days after the end of the school year in which they initially become eligible for retirement under the pension eligibility criteria will be paid \$15,000. At June 30, 2016, the School District did not have a liability for separation benefits.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - LONG-TERM OBLIGATIONS

During the fiscal year 2016, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2015 have been restated as described in Note 3.C.

	Restated Balance <u>07/01/15</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/16</u>	Due in <u>One Year</u>
2015 School Improvement Refunding					
Serial Bonds	\$ 2,160,000	\$ -	\$ (685,000)	\$ 1,475,000	\$ 735,000
Net Pension Liability	10,551,012	1,018,161	-	11,569,173	-
Compensated Absences	<u>483,579</u>	<u>141,362</u>	<u>(81,571)</u>	<u>543,370</u>	<u>26,224</u>
Total	<u>\$ 13,194,591</u>	<u>\$ 1,159,523</u>	<u>\$ (766,571)</u>	<u>\$ 13,587,543</u>	<u>\$ 761,224</u>

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District, is primarily the general fund.

Series 2015 Refunding General Obligation Bonds - On April 7, 2015, the School District issued general obligation bonds (series 2015 refunding bonds) to refund the remaining series 2005 general obligation serial bonds in the amount of \$2,160,000. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The interest rates on the serial bonds are 0.96%. Principal and interest payments are made from the Bond Retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2017.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016, were as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 735,000	\$ 10,632	\$ 745,632
2018	<u>740,000</u>	<u>3,552</u>	<u>743,552</u>
Total	<u>\$ 1,475,000</u>	<u>\$ 14,184</u>	<u>\$ 1,489,184</u>

Legal Debt Margin - The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$9,643,530 (including available funds of \$868,786) and an unvoted debt margin of \$113,886.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - SET-ASIDES

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	136,976
Current year qualifying expenditures	(210,640)
Current year offsets	<u>(88,826)</u>
Total	<u>\$ (162,490)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$18 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

NOTE 18 - JOINTLY GOVERNMENT ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2016, the School District paid \$48,487 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 18 - JOINTLY GOVERNMENT ORGANIZATIONS - (Continued)

B. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1 130 East Albert Street, Lima, Ohio 45804.

NOTE 19 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which established agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Mercer-Auglaize Area Schools Employee Welfare Benefit Trust

The School District participates in a public entity shared risk pool consisting of eleven school districts and two educational service centers. The Mercer-Auglaize Area Schools Employee Welfare Benefit Trust (Trust) is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

C. Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan (Plan) was established through the Cincinnati Regional Chamber of Commerce as an insurance purchasing pool. The Plan is governed by the Chamber of Commerce and the participants of the Plan. The Director of Member Benefits of the Chamber of Commerce coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 20 - CONTINGENCIES

A. Grants

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 21 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 21 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 103,595
Net adjustment for revenue accruals	147,936
Net adjustment for expenditure accruals	92,532
Net adjustment for other sources/uses	(55,336)
Funds budgeted elsewhere	(3,902)
Adjustment for encumbrances	7,468
GAAP basis	<u>\$ 292,293</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 22 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 6,359
Other governmental	78,018
Total	<u>\$ 84,377</u>

NOTE 23 - SUBSEQUENT EVENT

On August 1, 2016, Jill Ahlers became Treasurer of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.03231570%	0.03461200%	0.03461200%
District's proportionate share of the net pension liability	\$ 1,843,965	\$ 1,751,694	\$ 2,058,265
District's covered-employee payroll	\$ 972,868	\$ 1,005,743	\$ 914,053
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	225.18%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.03518899%	0.03617626%	0.03617626%
District's proportionate share of the net pension liability	\$ 9,725,208	\$ 8,799,318	\$ 10,481,691
District's covered-employee payroll	\$ 3,717,393	\$ 3,696,215	\$ 3,777,892
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.61%	238.06%	277.45%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 142,118	\$ 128,224	\$ 139,396	\$ 126,505
Contributions in relation to the contractually required contribution	<u>(142,118)</u>	<u>(128,224)</u>	<u>(139,396)</u>	<u>(126,505)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,015,129	\$ 972,868	\$ 1,005,743	\$ 914,053
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 123,556	\$ 111,188	\$ 113,414	\$ 88,216	\$ 86,391	\$ 82,679
<u>(123,556)</u>	<u>(111,188)</u>	<u>(113,414)</u>	<u>(88,216)</u>	<u>(86,391)</u>	<u>(82,679)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 918,632	\$ 884,551	\$ 837,622	\$ 896,504	\$ 879,745	\$ 774,148
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 542,473	\$ 520,435	\$ 480,508	\$ 491,126
Contributions in relation to the contractually required contribution	<u>(542,473)</u>	<u>(520,435)</u>	<u>(480,508)</u>	<u>(491,126)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,874,807	\$ 3,717,393	\$ 3,696,215	\$ 3,777,892
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$ 477,869	\$ 483,379	\$ 470,509	\$ 494,443	\$ 395,618	\$ 460,770
<u>(477,869)</u>	<u>(483,379)</u>	<u>(470,509)</u>	<u>(494,443)</u>	<u>(395,618)</u>	<u>(460,770)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,675,915	\$ 3,718,300	\$ 3,619,300	\$ 3,803,408	\$ 3,043,215	\$ 3,544,385
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

New Bremen Local School District
Auglaize County
901 East Monroe Street
New Bremen, Ohio 45869

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the New Bremen Local School District's basic financial statements and have issued our report thereon dated December 19, 2016, wherein we noted, as disclosed in Note 3.C. to the basic financial statements, the New Bremen Local School District changed the presentation of its annual financial report from the cash basis of accounting to presenting its basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the New Bremen Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the New Bremen Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the New Bremen Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Education
New Bremen Local School District

Compliance and Other Matters

As part of reasonably assuring whether the New Bremen Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the New Bremen Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the New Bremen Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 19, 2016



Dave Yost • Auditor of State

NEW BREMEN LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2017**