



Dave Yost • Auditor of State



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2016 .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2016 .....	11
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2016 .....	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2016.....	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2016 .....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund – For the Fiscal Year Ended June 30, 2016 .....	16
Statement of Cash Basis Fiduciary Net Position – Fiduciary Funds – June 30, 2016 .....	17
Statement of Cash Basis Change in Fiduciary Net Position – Private Purpose Trust Fund – For the Fiscal Year Ended June 30, 2016 .....	18
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2016.....	19
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2015 .....	47
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2015.....	55
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2015 .....	56
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2015.....	57
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - Governmental Funds – For the Fiscal Year Ended June 30, 2015 .....	58
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - For the Fiscal Year Ended June 30, 2015.....	59

NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
Statement of Cash Basis Fiduciary Net Position – Fiduciary Funds – June 30, 2015 .....	60
Statement of Cash Basis Change in Fiduciary Net Position – Private Purpose Trust Fund – For the Fiscal Year Ended June 30, 2015 .....	61
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2015.....	63
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	91
Schedule of Findings.....	93
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	94



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

New Knoxville Local School District  
Auglaize County  
P.O. Box 476  
345 South Main Street  
New Knoxville, Ohio 45871

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Knoxville Local School District, Auglaize County, Ohio (the School District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 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 School District's internal control. Accordingly, we express no such 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Knoxville Local School District, Auglaize County, Ohio, as of June 30, 2016 and 2015, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of the 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 School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 14, 2017

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

The management's discussion and analysis of the New Knoxville Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2016, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The total net cash position of the School District increased \$285,105 or 7.10% from fiscal year 2015.
- General cash receipts accounted for \$4,793,131 or 84.72% of total governmental activities cash receipts. Program specific cash receipts accounted for \$864,308 or 15.28% of total governmental activities cash receipts.
- The School District had \$5,372,334 in cash disbursements related to governmental activities; \$864,308 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The School District's major funds are the general fund and the bond retirement fund. The general fund had cash receipts of \$4,796,556 in fiscal year 2016. The cash disbursements and other financing uses of the general fund totaled \$4,516,883 in 2016. The general fund's cash balance increased \$279,673 or 10.27% from fiscal year 2015 to fiscal year 2016.
- The bond retirement fund had cash receipts of \$413,948 and cash disbursements of \$318,089 in 2016. The bond retirement fund's cash balance increased \$95,859 or 19.01% from 2015 to 2016.

**Using the Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, there are two major governmental funds.

**Reporting the School District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2016?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

These two statements report the School District's net cash position and changes in net position on a cash basis. This change in net cash position is important because it tells the reader that, for the School District as a whole, the cash basis financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include School District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 11-12 of this report.

**Reporting the School District's Most Significant Funds**

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund. The analysis of the School District's major governmental funds begins on page 8.

***Governmental Funds***

Most of the School 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 the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 13-14 of this report.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets. The budgetary statement can be found on page 15 of this report.

***Fiduciary Funds***

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

The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis on pages 16-17. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net cash position at June 30, 2016 and June 30, 2015.

	<b>Net Cash Position</b>	
	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$4,299,005	\$4,013,900
Total assets	4,299,005	4,013,900
<b>Net Cash Position:</b>		
Restricted	1,271,582	1,261,154
Unrestricted	3,027,423	2,752,746
Total net cash position	\$4,299,005	\$4,013,900

The total net cash position of the School District increased \$285,105 which represents a 7.10% increase from fiscal year 2015. The balance of government-wide unrestricted net cash position of \$3,027,423 may be used to meet the government's ongoing obligations to citizens and creditors.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

The table below shows the changes in net cash position for fiscal year 2016 and 2015.

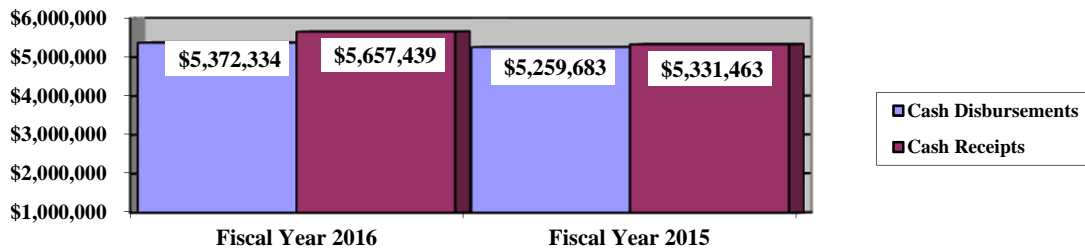
	<b>Change in Net Cash Position</b>	
	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
<b>Cash Receipts:</b>		
<b>Program cash receipts:</b>		
Charges for services and sales	\$551,781	\$531,903
Operating grants and contributions	312,527	372,034
Total program cash receipts	<u>864,308</u>	<u>903,937</u>
<b>General cash receipts:</b>		
Property taxes	1,592,287	1,585,896
Income taxes	786,862	759,519
Unrestricted grants:		
Operating	2,385,874	2,056,356
Investment earnings	16,336	10,143
Other	11,772	15,612
Total general cash receipts	<u>4,793,131</u>	<u>4,427,526</u>
Total cash receipts	<u>\$5,657,439</u>	<u>\$5,331,463</u>

**Governmental Activities**

Governmental net cash position increased by \$285,105 in fiscal year 2016 from fiscal year 2015. Total governmental disbursements of \$5,372,334 were offset by program receipts of \$864,308 and general receipts of \$4,793,131. Program receipts supported 16.09% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$2,839,205.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 84.23% of total governmental receipts. Real estate property is reappraised every six years.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



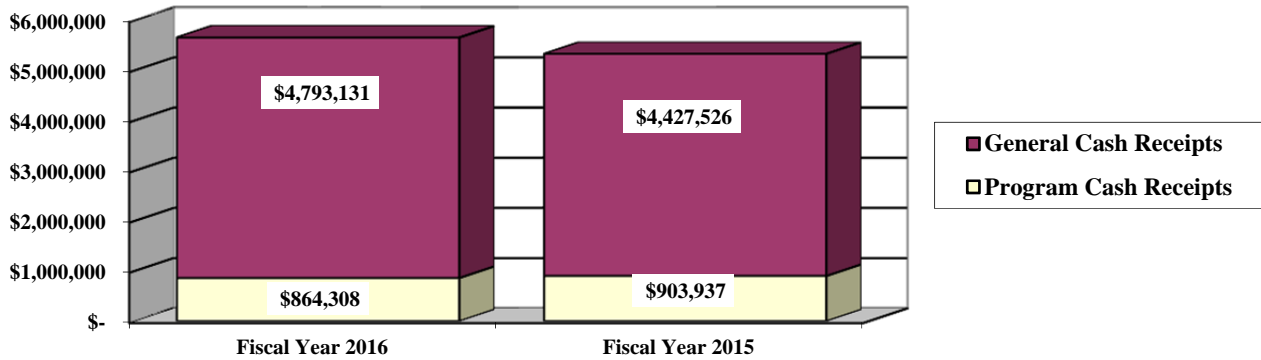
**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2016</b>	<b>Net Cost of Services 2016</b>	<b>Total Cost of Services 2015</b>	<b>Net Cost of Services 2015</b>
<b>Cash disbursements:</b>				
<b>Instruction:</b>				
Regular	\$2,439,514	\$2,090,474	\$2,591,926	\$2,207,140
Special	399,691	207,463	350,600	143,631
Vocational				(12,889)
<b>Support services:</b>				
Pupil	175,854	175,854	166,257	166,168
Instructional staff	264,077	257,144	156,788	156,788
Board of education	13,583	13,583	14,705	14,705
Administration	321,097	321,097	304,277	304,277
Fiscal	161,449	161,449	161,301	161,301
Operations and maintenance	471,159	459,520	545,192	534,123
Pupil transportation	200,066	184,029	89,021	69,344
Central	3,148	3,148	7,914	3,528
Operation of non-instructional services	152,679	503	155,047	5,976
Extracurricular	346,071	209,816	288,710	173,709
<b>Debt service:</b>				
Principal retirement	206,597	206,597	204,468	204,468
Interest and fiscal charges	217,349	217,349	223,477	223,477
<b>Total</b>	<b>\$5,372,334</b>	<b>\$4,508,026</b>	<b>\$5,259,683</b>	<b>\$4,355,746</b>

The dependence upon general cash receipts for governmental activities is apparent; with only 16.09% of cash disbursements supported through program cash receipts during fiscal year 2016.

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**Governmental Funds**

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund cash balance of \$4,299,005, which is \$285,105 higher than last year's total of \$4,013,900. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015, for all major and non-major governmental funds.

	<b>Fund Cash Balance June 30, 2016</b>	<b>Fund Cash Balance June 30, 2015</b>	<b>Increase (Decrease)</b>
General	\$3,003,909	\$2,724,236	\$279,673
Bond retirement	600,173	504,314	95,859
Other non-major governmental funds	694,923	785,350	(90,427)
<b>Total</b>	<b>\$4,299,005</b>	<b>\$4,013,900</b>	<b>\$285,105</b>

**General Fund**

The School District's major fund is the general fund. The general fund had cash receipts of \$4,796,556 in 2016. The cash disbursements and other financing uses of the general fund totaled \$4,516,883 in fiscal year 2016. The general fund's cash balance increased \$279,673 or 10.27% from fiscal year 2015 to fiscal year 2016.

**Bond Retirement Fund**

The bond retirement fund had cash receipts of \$413,948 and cash disbursements of \$318,089 in fiscal year 2016. The bond retirement fund's cash balance increased \$95,859 or 19.01% from fiscal year 2015 to fiscal year 2016.

The table that follows assists in illustrating the cash receipts of the general fund.

	<b>2016 Amount</b>	<b>2015 Amount</b>	<b>Percentage Change</b>
<b>Cash Receipts:</b>			
Taxes	\$1,977,719	\$1,885,769	4.88 %
Tuition	284,793	284,838	(0.02) %
Earnings on investments	16,336	10,143	61.06 %
Extracurricular	28,672	13,753	108.48 %
Other local revenues	34,091	35,050	(2.74) %
Intergovernmental	2,454,945	2,133,921	15.04 %
<b>Total</b>	<b>\$4,796,556</b>	<b>\$4,363,474</b>	<b>9.93 %</b>

Overall, general fund cash receipts remained consistent with prior year, with an increase of 9.93%. The increase in taxes of \$91,950 or 4.88% was mainly due to an increase in real estate taxes and income taxes. The increase in intergovernmental receipts of \$321,024 or 15.04% was mainly due to an increase in state foundation and Medicaid reimbursements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

The table that follows assists in illustrating the cash disbursements of the general fund.

	<b>2016 Amount</b>	<b>2015 Amount</b>	<b>Percentage Change</b>	
<b>Cash Disbursements:</b>				
Instruction	\$2,711,421	\$2,765,543	(1.96)	%
Support services	1,489,533	1,295,818	14.95	%
Extracurricular	185,881	188,546	(1.41)	%
<b>Total</b>	<b>\$4,386,835</b>	<b>\$4,249,907</b>	<b>3.22</b>	<b>%</b>

The increase in cash disbursements of \$136,928 or 3.22% was due to the increase in support services. The School District's support service disbursements increased due to an increase in disbursements related to pupil transportation, instructional staff and administration.

***Budgeting Highlights - General Fund***

The School 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.

For the general fund, final budgetary basis receipts and other financing sources of \$4,772,000 were higher than the original budget estimates and other financing sources of \$4,327,986. Actual cash receipts and other financing sources of \$4,743,088 were lower than final budget estimates and other financing sources by \$28,912.

The original and final budgetary basis disbursements and other financing uses were \$4,844,262 and \$4,850,062 respectively. The actual budgetary basis disbursements of \$4,481,080 were \$368,982 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

At June 30, 2016, the School District had \$2,499,997 in general obligation bonds, \$308,929 in loans payable and \$46,111 in capital lease obligations payable outstanding. Of this total \$178,469 is due within one year and \$2,676,568 is due in more than one year. The following table summarizes the obligations outstanding.

	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>
General Obligation bonds	\$2,499,997	\$2,611,575
Loans payable	308,929	403,948
Capital lease obligation	46,111	
<b>Total long-term obligations</b>	<b>\$2,855,037</b>	<b>\$3,015,523</b>

Refer to Note 14 to the basic financial statements for further detail.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**Current Financial Related Activities**

General Fund receipts are expected to increase in fiscal year 2017. While most revenue sources will remain relatively flat, school foundation receipts are expected to increase by 8.5% in fiscal year 2017, per simulations of the Ohio H.B. 64.

General Fund appropriations are expected to increase approximately 2 percent in fiscal year 2017. Base salaries will increase by 2.5 percent and step increases for experienced staff by 4 - 5 percent. We have experienced some staff turnover and hired new personnel at lower salaries and fringe benefits. In addition we have hired 1 additional staff member. The net effect is expected to be a 4.0% overall increase in salaries. The School District expects an 8% increase in health insurance costs in January 2017. Appropriations for purchased services and supplies and materials will increase slightly. The appropriations for capital outlay will decrease by approximately \$114,000 for fiscal year 2017, as the district incurred onetime expenses in fiscal year 2016 for a new school bus and an upgrade to the technology infrastructure. The School District has budgeted for the purchase of a new bus in fiscal year 2018, at a cost of \$90,000.

**Contacting the School District's Financial Management**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Amy Reineke, Treasurer, 345 South Main Street, P.O. Box 476, New Knoxville, Ohio 45871.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . .	<u>\$ 4,299,005</u>
 <b>Net position:</b>	
Restricted for:	
Debt service. . . . .	600,173
Capital projects . . . . .	405,519
Other purposes . . . . .	265,890
Unrestricted. . . . .	<u>3,027,423</u>
Total net position. . . . .	<u><u>\$ 4,299,005</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

	<u>Program Cash Receipts</u>			<b>Net (Disbursement) Receipt and Change in Net Position</b>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,439,514	\$ 306,432	\$ 42,608	\$ (2,090,474)
Special . . . . .	399,691	-	192,228	(207,463)
Support services:				
Pupil . . . . .	175,854	-	-	(175,854)
Instructional staff . . . . .	264,077	-	6,933	(257,144)
Board of education . . . . .	13,583	-	-	(13,583)
Administration . . . . .	321,097	-	-	(321,097)
Fiscal . . . . .	161,449	-	-	(161,449)
Operations and maintenance . . . . .	471,159	680	10,959	(459,520)
Pupil transportation . . . . .	200,066	1,748	14,289	(184,029)
Central . . . . .	3,148	-	-	(3,148)
Operation of non-instructional services:				
Food service operations . . . . .	152,679	120,180	31,996	(503)
Extracurricular activities . . . . .	346,071	122,741	13,514	(209,816)
Debt service:				
Principal retirement . . . . .	206,597	-	-	(206,597)
Interest and fiscal charges . . . . .	217,349	-	-	(217,349)
Total governmental activities . . . . .	<u>\$ 5,372,334</u>	<u>\$ 551,781</u>	<u>\$ 312,527</u>	<u>(4,508,026)</u>

**General receipts:**

Property taxes levied for:	
General purposes . . . . .	1,190,857
Debt service . . . . .	366,436
Permanent improvements . . . . .	34,994
Income taxes . . . . .	786,862
Grants and entitlements not restricted	
to specific programs . . . . .	2,385,874
Investment earnings . . . . .	16,336
Miscellaneous . . . . .	11,772
Total general receipts . . . . .	<u>4,793,131</u>
Change in net position . . . . .	285,105
<b>Net position at beginning of year . . . . .</b>	<u>4,013,900</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 4,299,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 3,003,909	\$ 600,173	\$ 694,923	\$ 4,299,005
<b>Fund balances:</b>				
Restricted:				
Athletics and music . . . . .	-	-	102,325	102,325
Capital improvements . . . . .	-	-	405,518	405,518
Facilities Maintenance . . . . .	-	-	44,650	44,650
Debt retirement . . . . .	-	600,173	-	600,173
Food service operations . . . . .	-	-	115,271	115,271
Regular instruction. . . . .	-	-	45	45
Technology. . . . .	-	-	3,600	3,600
Committed:				
Instruction. . . . .	-	-	23,514	23,514
Assigned:				
Educational activities . . . . .	20,896	-	-	20,896
Technology. . . . .	752	-	-	752
Unpaid obligations. . . . .	12,428	-	-	12,428
Unassigned . . . . .	2,969,833	-	-	2,969,833
Total fund balances . . . . .	<u>\$ 3,003,909</u>	<u>\$ 600,173</u>	<u>\$ 694,923</u>	<u>\$ 4,299,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,190,857	\$ 366,436	\$ 34,994	\$ 1,592,287
Income taxes . . . . .	786,862	-	-	786,862
Earnings on investments . . . . .	16,336	-	231	16,567
Tuition . . . . .	284,793	-	-	284,793
Charges for services . . . . .	-	-	121,928	121,928
Extracurricular . . . . .	28,672	-	94,069	122,741
Classroom materials and fees . . . . .	21,639	-	-	21,639
Rental income . . . . .	680	-	-	680
Contributions and donations . . . . .	3,710	-	13,514	17,224
Other local revenues . . . . .	8,062	-	-	8,062
Intergovernmental - state . . . . .	2,419,578	47,512	19,148	2,486,238
Intergovernmental - federal . . . . .	35,367	-	163,051	198,418
Total receipts . . . . .	<u>4,796,556</u>	<u>413,948</u>	<u>446,935</u>	<u>5,657,439</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,402,476	-	37,038	2,439,514
Special . . . . .	308,945	-	90,746	399,691
Support services:				
Pupil . . . . .	175,854	-	-	175,854
Instructional staff . . . . .	212,887	-	51,190	264,077
Board of education . . . . .	13,583	-	-	13,583
Administration . . . . .	321,097	-	-	321,097
Fiscal . . . . .	155,134	5,676	639	161,449
Operations and maintenance . . . . .	414,764	-	56,395	471,159
Pupil transportation . . . . .	193,066	-	7,000	200,066
Central . . . . .	3,148	-	-	3,148
Operation of non-instructional services:				
Food service operations . . . . .	-	-	152,679	152,679
Extracurricular activities . . . . .	185,881	-	160,190	346,071
Debt service:				
Principal retirement . . . . .	-	111,578	95,019	206,597
Interest and fiscal charges . . . . .	-	200,835	16,514	217,349
Total disbursements . . . . .	<u>4,386,835</u>	<u>318,089</u>	<u>667,410</u>	<u>5,372,334</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>409,721</u>	<u>95,859</u>	<u>(220,475)</u>	<u>285,105</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	151,826	151,826
Transfers (out) . . . . .	(130,048)	-	(21,778)	(151,826)
Total other financing sources (uses) . . . . .	<u>(130,048)</u>	<u>-</u>	<u>130,048</u>	<u>-</u>
Net change in fund balances . . . . .	279,673	95,859	(90,427)	285,105
<b>Fund balances at beginning of year . . . . .</b>	<u>2,724,236</u>	<u>504,314</u>	<u>785,350</u>	<u>4,013,900</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,003,909</u>	<u>\$ 600,173</u>	<u>\$ 694,923</u>	<u>\$ 4,299,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS 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>		<u>(Negative)</u>
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,080,292	\$1,191,300	\$ 1,190,857	\$ (443)
Income taxes. . . . .	689,181	760,000	786,862	26,862
Earnings on investments . . . . .	13,602	15,000	16,336	1,336
Tuition. . . . .	256,811	283,200	284,793	1,593
Rental income . . . . .	635	700	680	(20)
Contributions and donations . . . . .	363	400	553	153
Other local revenues . . . . .	907	1,000	700	(300)
Intergovernmental - state . . . . .	2,248,817	2,479,900	2,419,578	(60,322)
Intergovernmental - federal . . . . .	30,378	33,500	35,367	1,867
<b>Total receipts . . . . .</b>	<b>4,320,986</b>	<b>4,765,000</b>	<b>4,735,726</b>	<b>(29,274)</b>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,568,009	2,568,009	2,384,760	183,249
Special. . . . .	381,600	381,600	308,945	72,655
Support services:				
Pupil. . . . .	198,700	198,700	175,854	22,846
Instructional staff . . . . .	224,953	224,953	212,907	12,046
Board of education . . . . .	23,100	23,100	15,183	7,917
Administration. . . . .	329,600	329,600	321,103	8,497
Fiscal . . . . .	160,400	160,400	155,134	5,266
Operations and maintenance. . . . .	439,800	439,800	419,395	20,405
Pupil transportation . . . . .	204,200	204,200	193,132	11,068
Central. . . . .	5,000	5,000	3,608	1,392
Extracurricular activities. . . . .	160,700	166,500	161,011	5,489
<b>Total disbursements . . . . .</b>	<b>4,696,062</b>	<b>4,701,862</b>	<b>4,351,032</b>	<b>350,830</b>
Excess (deficiency) of receipts over (under) disbursements. . . . .	(375,076)	63,138	384,694	321,556
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	7,000	7,000	7,262	262
Refund of prior year's receipts. . . . .	(200)	(200)	-	200
Transfers (out). . . . .	(138,000)	(138,000)	(130,048)	7,952
Advances (out) . . . . .	(10,000)	(10,000)	-	10,000
Sale of capital assets . . . . .	-	-	100	100
<b>Total other financing sources (uses) . . . . .</b>	<b>(141,200)</b>	<b>(141,200)</b>	<b>(122,686)</b>	<b>18,514</b>
Net change in fund balance . . . . .	(516,276)	(78,062)	262,008	340,070
<b>Fund balance at beginning of year. . . . .</b>	<b>2,638,676</b>	<b>2,638,676</b>	<b>2,638,676</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>26,585</b>	<b>26,585</b>	<b>26,585</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 2,148,985</b>	<b>\$2,587,199</b>	<b>\$ 2,927,269</b>	<b>\$ 340,070</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH BASIS FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . .	\$ 28,537	\$ 27,985
<b>Net position:</b>		
Endowments. . . . .	\$ 10,000	\$ -
Held in trust for scholarships . . . . .	18,537	-
Held for student activities . . . . .	-	27,985
Total net position. . . . .	\$ 28,537	\$ 27,985

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private Purpose Trust</b>
<b>Additions:</b>	
Interest. . . . .	\$ 115
<b>Deductions:</b>	
Non-instructional services . . . . .	750
Change in net position . . . . .	(635)
<b>Net position at beginning of year. . . . .</b>	<b>29,172</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 28,537</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

New Knoxville 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 serves an area of approximately twenty-seven square miles. It is located in Auglaize and Shelby Counties. It is staffed by 20 classified employees and 34 certified teaching personnel who provide services to 411 students and other community members. The School District currently operates one school building.

**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 insure 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 Knoxville 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 Knoxville Local School District.

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Southwest Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, Mercer-Auglaize Area Schools Employee Welfare Benefit Trust, and the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**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.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**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. Non-major 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 divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major governmental funds are as follows:

**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.

**Bond Retirement Fund** - The bond retirement fund is used to account for the retirement of bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fiduciary Funds**

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 various student-managed activities.

**D. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. 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 has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for 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 receipts 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**F. 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 Cash Equivalents".

During fiscal year 2016, investments consisted of negotiable certificates of deposit and U.S. Government money market accounts which are reported at cost.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2016 was \$16,336, which includes \$5,067 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.

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

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either 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.

**K. 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 governmental funds. The classifications are as follows:

**Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

**Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead disbursements 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 receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

**M. Pensions**

For purposes of measuring the net pension liability, 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.

**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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

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 non-authoritative 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.

**B. Compliance**

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

**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:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 \$100 in un-deposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash, cash equivalents and investments."

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all School District deposits was \$3,305,240. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2016, \$2,854,829 of the School District's bank balance of \$3,383,117 was exposed to custodial risk as discussed below, while \$528,288 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**C. Investments**

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Investment Maturities at Fair Value</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>
Negotiable certificates of deposit	\$1,050,000	\$1,052,971	\$200,252	\$251,003	\$ 200,894	\$400,822
U.S. Government money market	187	187	187			
<b>Total</b>	<b>\$1,050,187</b>	<b>\$1,053,158</b>	<b>\$200,439</b>	<b>\$251,003</b>	<b>\$200,894</b>	<b>\$400,822</b>

The weighted average maturity of investments is 1.18 years.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** The School District's investment policy does not specifically address credit risk beyond requiring the School District to only invest in securities authorized by State statute.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk:** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2016:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
Negotiable certificates of deposit	\$1,050,000	99.98
U.S. Government money market	187	0.02
Total	\$1,050,187	100.00

**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:

**Cash and investments per note:**

Carrying amount of deposits	\$3,305,240
Investments	1,050,187
Cash on hand	100
Total	\$4,355,527

**Cash per statement of net position:**

Governmental activities	\$4,299,005
Private-purpose trust	28,537
Agency fund	27,985
Total	\$4,355,527

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. 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 tangible 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.

The School District receives property taxes from Auglaize and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**5. PROPERTY TAXES (Continued)**

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

	<b>2015 Second Half Collections</b>		<b>2016 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$62,078,070	98.48	\$62,244,040	98.43
Public utility personal	956,160	1.52	991,080	1.57
Total	<u>\$63,034,230</u>	<u>100.00</u>	<u>\$63,235,120</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$54.65		 \$54.65	

**6. INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The 1 percent tax levy was renewed effective on January 1, 2015, for a continuing period of time and .25 percent was effective on January 1, 2007, for a twenty-three year period. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported in the fund financial statements:

<b>Transfers to non-major governmental funds from:</b>	
General fund	\$130,048
Non-major governmental fund	<u>21,778</u>
Total	<u>\$151,826</u>

The purpose of the above transfers are to move revenues from the general fund and the permanent improvement replacement fund (a non-major governmental fund) into the building fund (a non-major governmental fund) and the classroom facilities maintenance fund (a non-major governmental fund) to comply with the agreement set forth between the Ohio School Facilities Commission and the School District.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**8. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with the Southwest Ohio Education Purchasing Council for the following insurance coverage.

Buildings and Contents	\$350,000,000
Flood	10,000,000
Earthquake	25,000,000
General Liability Aggregate	5,000,000
Automobile	1,000,000

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 School District participated in the Southwest Ohio Education Purchasing Council Plan (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 School 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 School District pays monthly premiums to the Trust for employee medical, drug, 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 School District participates in the Better Business Bureau of Central Ohio 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 School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, CompManagement, Sedgwick Claims Management Services, Inc., reviews each participant's 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. CompManagement, Sedgwick Claims Management Services, Inc., provides administrative, cost control and actuarial services to the Plan.

**9. COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$12,428
Other governmental	47,975
Total	\$60,403

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**10. PENSION PLANS**

**A. Net Pension Liability**

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

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

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

**B. Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**10. PENSION PLANS (Continued)**

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 School 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 allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$75,621 for fiscal year 2016.

**C. Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)**

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

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 is 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 year 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 increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**10. PENSION PLANS (Continued)**

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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, 2015, 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 School 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 School District's contractually required contribution to STRS Ohio was \$276,470 for fiscal year 2016.

**D. Net Pension Liability**

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 School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$883,601	\$4,965,885	\$5,849,486
Proportion of the net pension liability	0.01548520%	0.01796820%	

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**10. PENSION PLANS (Continued)**

**E. 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 percent
COLA or adhoc 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.

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:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**10. PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$1,225,236	\$883,601	\$595,915

**Changes Between Measurement Date and Report Date** - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS Ohio** - 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 applies 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**10. PENSION PLANS (Continued)**

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 Ohio's 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	1.00	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 Ohio's 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.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$6,897,989	\$4,965,885	\$3,332,003



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**11. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 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.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$8,331, \$11,996, and \$18,714, respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**11. POST-EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$3,023, respectively; 100 percent has been contributed for fiscal year 2014.

**12. 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 five to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer each earn twenty days of vacation per year, respectively. 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 a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred thirty days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-seven and a half days for all employees.

**B. Health Care Benefits**

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

**13. CAPITALIZED LEASE - LESSEE DISCLOSURE**

During the current fiscal year, the School District entered into a capitalized lease for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. Principal and interest payments are made from the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease as of June 30, 2016:

Fiscal Year Ending June 30,	Amount
2017	\$10,471
2018	10,471
2019	10,471
2020	10,470
2021	10,470
Total minimum lease payments	52,353
Less: amount representing interest	(6,242)
Total	\$46,111

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**14. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
General Obligation Bonds					
1998 High School Building					
Capital Appreciation Bonds	\$11,578		(\$11,578)		
2007 OSFC Building					
Serial Bonds 4%	355,000		(85,000)	\$270,000	
Term Bonds 4-4.125%	1,085,000			1,085,000	
Capital Appreciation Bonds	54,999			54,999	\$29,025
2007 High School Refunding					
Serial Bonds 4%	430,000		(15,000)	415,000	
Term Bonds 4-4.125%	595,000			595,000	
Capital Appreciation Bonds	79,998			79,998	42,316
Loan Payable 4.47%	403,948		(95,019)	308,929	98,906
Capital lease agreement		\$46,111		46,111	8,222
Total General Long-Term Obligations	<u>\$3,015,523</u>	<u>\$46,111</u>	<u>(\$206,597)</u>	<u>\$2,855,037</u>	<u>\$178,469</u>

**High School Building General Obligation Bonds** - On March 20, 1998, the School District issued \$1,999,768 in voted general obligation bonds for constructing an addition to their existing instructional building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$725,000, \$1,235,000, and \$39,768, respectively. The bonds were issued for a twenty-seven year period, with final maturity during fiscal year 2025. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.5 mill voted property tax levy. The term bonds were advance refunded during fiscal year 2007, in the amount of \$1,235,000. Final maturity for the un-refunded serial and capital appreciation bonds was adjusted to fiscal year 2017.

The remaining capital appreciation bonds matured during fiscal year 2016.

**2007 OSFC Building General Obligation Bonds** - On March 28, 2007, the School District issued \$1,999,999 in voted general obligation bonds to renovate, improve, expand, furnish, and equip the current school facilities. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$860,000, \$1,085,000, and \$54,999, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2030. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 3.3 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$105,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$105,000

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**14. LONG-TERM OBLIGATIONS (Continued)**

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023 (with the balance of \$115,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$110,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2025 through 2028 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2029), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$115,000
2026	130,000
2027	130,000
2028	135,000

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$170,000.

**2007 High School Refunding General Obligation Bonds** - On March 28, 2007, the School District issued \$1,234,998 in voted general obligation bonds to refund \$1,235,000 of the High School Building general obligation bonds. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$560,000, \$595,000, and \$79,998, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2025. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.5 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$155,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$145,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023 (with the balance of \$160,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**14. LONG-TERM OBLIGATIONS (Continued)**

<b>Year</b>	<b>Amount</b>
2023	\$155,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District, in the amount of \$135,000.

The serial bonds maturing after December 1, 2017, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2008, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$260,000.

All of the refunded bonds pertaining to the 1998 High School Building general obligation refunding bonds have been retired by the escrow agent.

**Loan Payable** - On September 16, 2008, the School District obtained a loan, in the amount of \$900,000, to pay for the locally funded initiatives portion of the Ohio School Facilities Commission building project. The loan was issued for a ten year period, with final maturity during fiscal year 2019. The loan is being retired through the Building Fund.

The School District's overall debt margin was \$3,791,337 with an un-voted debt margin of \$63,235 at June 30, 2016.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2016 were as follows:

<b>Fiscal Year Ending June 30,</b>	<b>General Obligation Bonds</b>					
	<b>Serial &amp; Term</b>			<b>Capital Appreciation</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017		\$95,413	\$95,413	\$71,341	\$143,659	\$215,000
2018		95,413	95,413	63,656	151,344	215,000
2019	\$215,000	91,113	306,113			
2020	230,000	82,213	312,213			
2021	240,000	72,813	312,813			
2022 - 2026	1,145,000	214,291	1,359,291			
2027 - 2030	535,000	44,859	579,859			
Total	\$2,365,000	\$696,115	\$3,061,115	\$134,997	\$295,003	\$430,000

<b>Fiscal Year Ending June 30,</b>	<b>Loans Payable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$98,906	\$12,639	\$111,545
2018	102,951	8,593	111,544
2019	107,072	4,383	111,455
Total	\$308,929	\$25,615	\$334,544

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance of their value at final maturity.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**15. SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a 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 fiscal year must be held in cash at fiscal year-end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2016.

	<b>Capital Improvements</b>
Balance June 30, 2015	
Current Year Set Aside Requirement	\$70,983
Current Year Offsets	(70,983)
Balance June 30, 2016	\$0

**16. DONOR RESTRICTED ENDOWMENTS**

The School 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 School District is \$18,537 and is included as held in trust for scholarships. State law permits the School 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.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Local Professional Development Committee**

The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district, and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan that will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**B. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is council of government consisting of 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 \$41,230 to WOCO for various services. Financial information can be obtained from the Western Ohio Computer Organization, 129 East Court Street, Sidney, Ohio 45365.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. 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 Academy, 1130 East Albert Street, Lima, Ohio 45804.

**D. Southwest Ohio Educational Purchasing Council**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2016, the School District paid \$21,777 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**E. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**18. INSURANCE POOLS**

**A. Southwest Ohio Educational Purchasing Council**

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2016, the School District paid \$21,319 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**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, drug, 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. Better Business Bureau of Central Ohio 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 Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan) was established through the Better Business Bureau of Ohio as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**19. 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.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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

**20. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (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 difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

<u>Net Change in Fund Balance</u>	
	<u>General fund</u>
Budget basis	\$262,008
Funds budgeted elsewhere **	6,631
Adjustment for encumbrances	11,034
Cash basis	<u>\$279,673</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the uniform school supplies fund and the public school support fund.

**21. SUBSEQUENT EVENT**

During fiscal year 2017, the District authorized issuance of bonds for the purpose of advance refunding the 2007 High School Refunding bonds. These bonds bear variable interest rates.

**This page intentionally left blank.**

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The management's discussion and analysis of the New Knoxville Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2015, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- The total net cash position of the School District increased \$71,780 or 1.82% from fiscal year 2014.
- General cash receipts accounted for \$4,427,526 or 83.05% of total governmental activities cash receipts. Program specific cash receipts accounted for \$903,937 or 16.95% of total governmental activities cash receipts.
- The School District had \$5,259,683 in cash disbursements related to governmental activities; \$903,937 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The School District's major funds are the general fund and the bond retirement fund. The general fund had cash receipts and other financing sources of \$4,363,520 in fiscal year 2015. The cash disbursements and other financing uses of the general fund totaled \$4,372,896 in 2015. The general fund's cash balance decreased \$9,376 or 0.34% from fiscal year 2014 to fiscal year 2015.
- The bond retirement fund had cash receipts of \$482,622 and cash disbursements of \$324,482 in 2015. The bond retirement fund's cash balance increased \$158,140 or 45.68% from 2014 to 2015.

**Using the Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, there are two major governmental funds.

**Reporting the School District as a Whole**

***Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis***

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2015?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

These two statements report the School District's net cash position and changes in net position on a cash basis. This change in net cash position is important because it tells the reader that, for the School District as a whole, the cash basis financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include School District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 55-56 of this report.

**Reporting the School District's Most Significant Funds**

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund. The analysis of the School District's major governmental funds begins on page 52.

***Governmental Funds***

Most of the School 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 57-58 of this report.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the School District's compliance with annually adopted budgets. The budgetary statement can be found on page 59 of this report.

***Fiduciary Funds***

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

The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis on pages 60-61. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 63-90 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net cash position at June 30, 2015 and June 30, 2014.

	<b>Net Cash Position</b>	
	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$4,013,900	\$3,942,120
Total assets	4,013,900	3,942,120
<b>Net Cash Position:</b>		
Restricted	1,261,154	923,725
Unrestricted	2,752,746	3,018,395
Total net cash position	\$4,013,900	\$3,942,120

The total net cash position of the School District increased \$71,780 which represents a 1.82% increase from fiscal year 2014. The balance of government-wide unrestricted net cash position of \$2,752,746 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2015 and 2014.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

	<u>Change in Net Cash Position</u>	
	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
<b>Cash Receipts:</b>		
<b>Program cash receipts:</b>		
Charges for services and sales	\$531,903	\$479,342
Operating grants and contributions	372,034	439,112
Total program cash receipts	<u>903,937</u>	<u>918,454</u>
<b>General cash receipts:</b>		
Property taxes	1,585,896	1,464,579
Income taxes	759,519	784,509
<b>Unrestricted grants:</b>		
Operating	2,056,356	1,986,151
Investment earnings	10,143	9,198
Other	15,612	35,888
Total general cash receipts	<u>4,427,526</u>	<u>4,280,325</u>
Total cash receipts	<u><u>5,331,463</u></u>	<u><u>5,198,779</u></u>
<b>Cash Disbursements:</b>		
<b>Instruction:</b>		
Regular	2,591,926	2,592,509
Special	350,600	293,186
<b>Support services:</b>		
Pupil	166,257	155,233
Instructional staff	156,788	122,252
Board of education	14,705	18,955
Administration	304,277	373,449
Fiscal	161,301	138,959
Operations and maintenance	545,192	448,766
Pupil transportation	89,021	85,590
Central	7,914	24,986
Operation of non-instructional services	155,047	149,164
Extracurricular	288,710	298,625
Capital outlay	-	14,430
Intergovernmental	-	5,960
<b>Debt service:</b>		
Principal retirement	204,468	192,707
Interest and fiscal charges	223,477	129,047
Capital appreciation bond accretion	-	99,992
Total cash disbursements	<u>5,259,683</u>	<u>5,143,810</u>
Change in net cash position	71,780	54,969
Net cash position at beginning of year	<u>3,942,120</u>	<u>3,887,151</u>
Net cash position at end of year	<u><u>\$4,013,900</u></u>	<u><u>\$3,942,120</u></u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

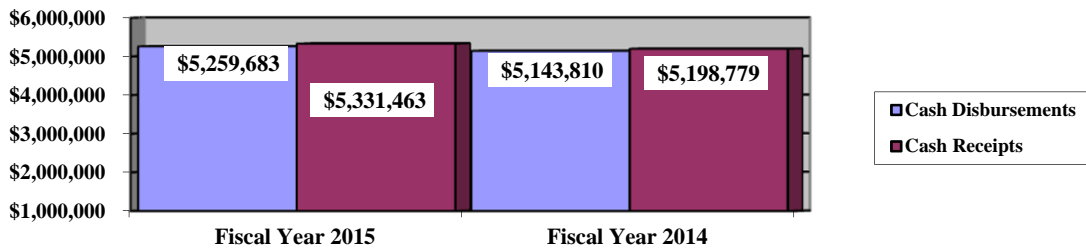
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Governmental Activities**

Governmental net cash position increased by \$71,780 in fiscal year 2015 from fiscal year 2014. Total governmental disbursements of \$5,259,683 were offset by program receipts of \$903,937 and general receipts of \$4,427,526. Program receipts supported 17.19% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$2,942,526.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 82.56% of total governmental receipts. Real estate property is reappraised every six years.

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



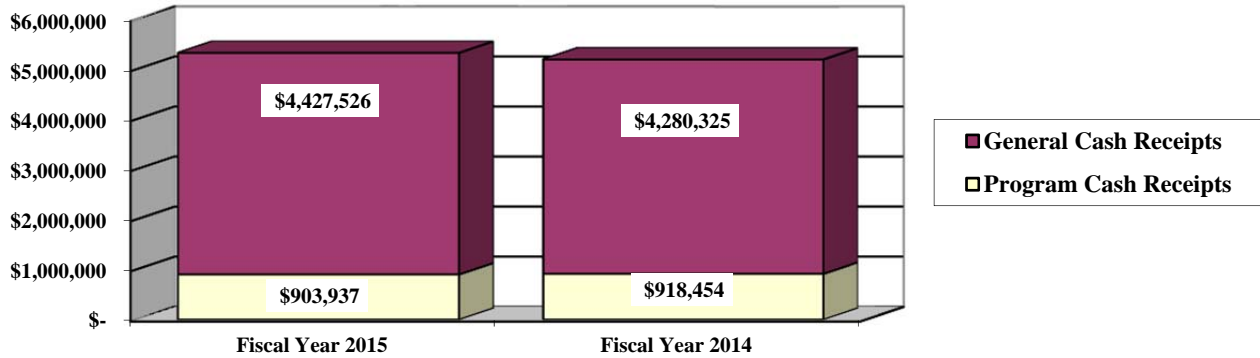
	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2015</b>	<b>Net Cost of Services 2015</b>	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
<b>Cash disbursements:</b>				
<b>Instruction:</b>				
Regular	\$2,591,926	\$2,207,140	\$2,592,509	\$2,243,035
Special	350,600	143,631	293,186	39,737
Vocational		(12,889)		(12,669)
<b>Support services:</b>				
Pupil	166,257	166,168	155,233	155,233
Instructional staff	156,788	156,788	122,252	122,252
Board of education	14,705	14,705	18,955	18,955
Administration	304,277	304,277	373,449	373,449
Fiscal	161,301	161,301	138,959	138,959
Operations and maintenance	545,192	534,123	448,766	437,808
Pupil transportation	89,021	69,344	85,590	78,043
Central	7,914	3,528	24,986	21,386
Operation of non-instructional services	155,047	5,976	149,164	(5,479)
Extracurricular	288,710	173,709	298,625	172,511
Capital outlay			14,430	14,430
Intergovernmental			5,960	5,960
<b>Debt service:</b>				
Principal retirement	204,468	204,468	192,707	192,707
Interest and fiscal charges	223,477	223,477	129,047	129,047
Capital appreciation bond accretion			99,992	99,992
<b>Total</b>	<b>\$5,259,683</b>	<b>\$4,355,746</b>	<b>\$5,143,810</b>	<b>\$4,225,356</b>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

The dependence upon general cash receipts for governmental activities is apparent; with only 17.19% of cash disbursements supported through program cash receipts during fiscal year 2015.

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund cash balance of \$4,013,900, which is \$71,780 higher than last year's total of \$3,942,120. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, for all major and non-major governmental funds.

	<b>Fund Cash Balance June 30, 2015</b>	<b>Fund Cash Balance June 30, 2014</b>	<b>Increase (Decrease)</b>
General	\$2,724,236	\$2,733,612	(\$9,376)
Bond retirement	504,314	346,174	158,140
Other non-major governmental funds	785,350	862,334	(76,984)
<b>Total</b>	<b>\$4,013,900</b>	<b>\$3,942,120</b>	<b>\$71,780</b>

**General Fund**

The School District's major fund is the general fund. The general fund had cash receipts and other financing sources of \$4,363,520 in 2015. The cash disbursements and other financing uses of the general fund totaled \$4,372,896 in fiscal year 2015. The general fund's cash balance decreased \$9,376 or 0.34% from fiscal year 2014 to fiscal year 2015.

**Bond Retirement Fund**

The bond retirement fund had cash receipts of \$482,622 and cash disbursements of \$324,482 in fiscal year 2015. The bond retirement fund's cash balance increased \$158,140 or 45.68% from fiscal year 2014 to fiscal year 2015.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<b>Cash Receipts:</b>			
Taxes	\$1,885,769	\$1,806,805	4.37 %
Tuition	284,838	260,411	9.38 %
Earnings on investments	10,143	9,198	10.27 %
Extracurricular	13,753		100.00 %
Other local revenues	35,050	49,203	(28.76) %
Intergovernmental	2,133,921	2,090,581	2.07 %
Total	<u>\$4,363,474</u>	<u>\$4,216,198</u>	3.49 %

Overall, general fund cash receipts remained consistent with prior year, with an increase of 3.49%. The increase in taxes of \$78,964 or 4.37% was mainly due to an increase in real estate taxes. The increase in intergovernmental receipts of \$43,340 or 2.07% was mainly due to an increase in state foundation and Medicaid reimbursements. The increase in tuition of \$24,427 or 9.38% was due to an increase in open enrollment income.

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<b>Cash Disbursements:</b>			
Instruction	\$2,765,543	\$2,713,525	1.92
Support services	1,295,818	1,293,227	0.20
Extracurricular	188,546	161,376	16.84
Total	<u>\$4,249,907</u>	<u>\$4,168,128</u>	1.96

The increase in general fund cash disbursements of \$81,779 or 1.96% was due to the School District paying additional salaries from this fund during the current fiscal year.

***Budgeting Highlights - General Fund***

The School 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.

For the general fund, final budgetary basis receipts and other financing sources of \$4,327,986 were higher than the original budget estimates and other financing sources of \$4,270,420. Actual cash receipts and other financing sources of \$4,327,713 were lower than final budget estimates and other financing sources by \$273.

The final and original budgetary basis disbursements and other financing uses were \$4,583,023 and \$4,634,723 respectively. The actual budgetary basis disbursements of \$4,350,649 were \$232,374 less than the final budget estimates.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Capital Assets and Debt Administration**

***Capital Assets***

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

At June 30, 2015, the School District had \$2,611,575 in general obligation bonds and \$403,948 in loans payable outstanding. Of this total \$206,597 is due within one year and \$2,808,926 is due in more than one year. The following table summarizes the obligations outstanding.

	<b>Governmental Activities 2015</b>	<b>Governmental Activities 2014</b>
General Obligation bonds	\$2,611,575	\$2,724,757
Loans payable	403,948	495,234
Total long-term obligations	\$3,015,523	\$3,219,991

Refer to Note 13 to the basic financial statements for further detail.

**Current Financial Related Activities**

General Fund receipts are expected to increase in fiscal year 2016. Real estate tax receipts increased towards the end of fiscal year 2015, and are expected to remain elevated for a few years. This is due to the change in the calculation of the CAUV values, which in turn placed the School District at the 20 mill floor. We have been cautioned that this increase will only be for a couple years, as the formula for calculating CAUV is expected to change again. School foundation receipts are also expected to increase by 14.6% in fiscal year 2016 and 8.5% in fiscal year 2017, per simulations of the recently passed Ohio H.B. 64.

General Fund appropriations are expected to increase approximately 4 percent in fiscal year 2016. Base salaries will increase by 2.5 percent and step increases for experienced staff by 4 - 5 percent. However, we have experienced staff turnover and hired new personnel at lower salaries and fringe benefits, the net effect is expected to be a 2.2% overall increase in salaries. The School District expects an 8% increase in health insurance costs in January 2016. However, the insurance plan design changed half way through fiscal year 2015 to a lower cost plan, and savings are still being realized in the first half of fiscal year 2016. Appropriations for purchased services and supplies and materials will increase slightly. The School District has budgeted for the purchase of a bus in fiscal year 2017 and again in fiscal year 2018, at a cost of \$90,000 each.

**Contacting the School District's Financial Management**

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Amy Reineke, Treasurer, P.O. Box 476, 345 South Main Street, New Knoxville, Ohio 45871.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2015**

	<b><u>Governmental Activities</u></b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	<u>\$ 4,013,900</u>
 <b>Net position:</b>	
Restricted for:	
Debt service. . . . .	504,314
Capital projects . . . . .	467,003
Other purposes . . . . .	289,837
Unrestricted. . . . .	<u>2,752,746</u>
Total net position. . . . .	<u><u>\$ 4,013,900</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Program Cash Receipts</u>			<b>Net (Disbursement) Receipt and Change in Net Position</b>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,591,926	\$ 305,839	\$ 78,947	\$ (2,207,140)
Special . . . . .	350,600	-	206,969	(143,631)
Vocational . . . . .	-	-	12,889	12,889
Support services:				
Pupil . . . . .	166,257	-	89	(166,168)
Instructional staff . . . . .	156,788	-	-	(156,788)
Board of education . . . . .	14,705	-	-	(14,705)
Administration . . . . .	304,277	-	-	(304,277)
Fiscal . . . . .	161,301	-	-	(161,301)
Operations and maintenance . . . . .	545,192	110	10,959	(534,123)
Pupil transportation . . . . .	89,021	3,232	16,445	(69,344)
Central . . . . .	7,914	-	4,386	(3,528)
Operation of non-instructional services:				
Food service operations . . . . .	155,047	113,671	35,400	(5,976)
Extracurricular activities . . . . .	288,710	109,051	5,950	(173,709)
Debt service:				
Principal retirement . . . . .	204,468	-	-	(204,468)
Interest and fiscal charges . . . . .	223,477	-	-	(223,477)
<b>Total governmental activities . . . . .</b>	<b>\$ 5,259,683</b>	<b>\$ 531,903</b>	<b>\$ 372,034</b>	<b>(4,355,746)</b>

**General receipts:**

Property taxes levied for:	
General purposes . . . . .	1,126,250
Debt service . . . . .	424,812
Permanent improvements . . . . .	34,834
Income taxes . . . . .	759,519
Grants and entitlements not restricted to specific programs . . . . .	2,056,356
Investment earnings . . . . .	10,143
Miscellaneous . . . . .	15,612
<b>Total general receipts . . . . .</b>	<b>4,427,526</b>
Change in net position . . . . .	71,780
<b>Net position at beginning of year . . . . .</b>	<b>3,942,120</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 4,013,900</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<b>General</b>	<b>Bond Retirement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,724,236	\$ 504,314	\$ 785,350	\$ 4,013,900
<b>Fund balances:</b>				
Restricted:				
Athletics and music . . . . .	-	-	121,176	121,176
Capital improvements . . . . .	-	-	467,003	467,003
Facilities Maintenance . . . . .			47,386	47,386
Debt retirement . . . . .	-	504,314		504,314
Food service operations . . . . .	-	-	115,782	115,782
Regular instruction. . . . .	-	-	32	32
Special Instruction . . . . .	-	-	1,861	1,861
Technology. . . . .	-	-	3,600	3,600
Committed:				
Instruction. . . . .	-	-	28,510	28,510
Assigned:				
Educational activities . . . . .	14,904	-	-	14,904
Technology. . . . .	752	-	-	752
Unpaid obligations. . . . .	27,027	-	-	27,027
Unassigned . . . . .	2,681,553	-	-	2,681,553
<b>Total fund balances . . . . .</b>	<b>\$ 2,724,236</b>	<b>\$ 504,314</b>	<b>\$ 785,350</b>	<b>\$ 4,013,900</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,126,250	\$ 424,812	\$ 34,834	\$ 1,585,896
Income taxes . . . . .	759,519	-	-	759,519
Earnings on investments . . . . .	10,143	-	-	10,143
Tuition . . . . .	284,838	-	-	284,838
Charges for services . . . . .	-	-	116,903	116,903
Extracurricular . . . . .	13,753	-	96,971	110,724
Classroom materials and fees . . . . .	19,328	-	-	19,328
Rental income . . . . .	110	-	-	110
Contributions and donations . . . . .	3,565	-	5,950	9,515
Other local revenues . . . . .	12,047	-	-	12,047
Intergovernmental - state . . . . .	2,110,717	57,810	19,198	2,187,725
Intergovernmental - federal . . . . .	23,204	-	211,511	234,715
Total receipts . . . . .	<u>4,363,474</u>	<u>482,622</u>	<u>485,367</u>	<u>5,331,463</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,506,575	-	85,351	2,591,926
Special . . . . .	258,968	-	91,632	350,600
Support services:				
Pupil . . . . .	166,257	-	-	166,257
Instructional staff . . . . .	156,698	-	90	156,788
Board of education . . . . .	14,705	-	-	14,705
Administration . . . . .	304,277	-	-	304,277
Fiscal . . . . .	152,580	8,069	652	161,301
Operations and maintenance . . . . .	416,690	-	128,502	545,192
Pupil transportation . . . . .	81,090	-	7,931	89,021
Central . . . . .	3,521	-	4,393	7,914
Operation of non-instructional services:				
Food service operations . . . . .	-	-	155,047	155,047
Extracurricular activities . . . . .	188,546	-	100,164	288,710
Debt service:				
Principal retirement . . . . .	-	113,182	91,286	204,468
Interest and fiscal charges . . . . .	-	203,231	20,246	223,477
Total disbursements . . . . .	<u>4,249,907</u>	<u>324,482</u>	<u>685,294</u>	<u>5,259,683</u>
Excess (deficiency) of receipts over (under) disbursements . . . . .	<u>113,567</u>	<u>158,140</u>	<u>(199,927)</u>	<u>71,780</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	144,767	144,767
Transfers (out) . . . . .	(122,989)	-	(21,778)	(144,767)
Advances in . . . . .	46	-	-	46
Advances (out) . . . . .	-	-	(46)	(46)
Total other financing sources (uses) . . . . .	<u>(122,943)</u>	<u>-</u>	<u>122,943</u>	<u>-</u>
Net change in fund balances . . . . .	(9,376)	158,140	(76,984)	71,780
<b>Fund balances at beginning of year . . . . .</b>	<u>2,733,612</u>	<u>346,174</u>	<u>862,334</u>	<u>3,942,120</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,724,236</u>	<u>\$ 504,314</u>	<u>\$ 785,350</u>	<u>\$ 4,013,900</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,111,022	\$ 1,126,000	\$ 1,126,250	\$ 250
Income taxes. . . . .	749,398	759,500	759,519	19
Earnings on investments . . . . .	9,078	9,200	10,143	943
Tuition. . . . .	291,866	295,800	284,838	(10,962)
Rental income . . . . .	197	200	110	(90)
Contributions and donations . . . . .	592	600	1,393	793
Other local revenues . . . . .	2,171	2,200	2,495	295
Intergovernmental - state . . . . .	2,070,983	2,098,900	2,110,717	11,817
Intergovernmental - federal . . . . .	26,444	26,800	23,204	(3,596)
<b>Total receipts . . . . .</b>	<u>4,261,751</u>	<u>4,319,200</u>	<u>4,318,669</u>	<u>(531)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,630,323	2,600,323	2,498,175	102,148
Special. . . . .	310,600	340,600	258,968	81,632
Support services:				
Pupil. . . . .	167,100	167,100	166,257	843
Instructional staff . . . . .	165,100	165,100	156,957	8,143
Board of education . . . . .	21,000	21,000	14,705	6,295
Administration. . . . .	299,800	304,500	304,277	223
Fiscal . . . . .	151,800	153,400	153,205	195
Operations and maintenance. . . . .	436,000	423,000	422,276	724
Pupil transportation . . . . .	102,600	102,600	84,661	17,939
Central. . . . .	5,000	5,000	3,524	1,476
Extracurricular activities. . . . .	180,700	165,200	164,655	545
Facilities acquisition and construction . . . . .	4,500	-	-	-
<b>Total disbursements . . . . .</b>	<u>4,474,523</u>	<u>4,447,823</u>	<u>4,227,660</u>	<u>220,163</u>
Excess (deficiency) of receipts over (under) disbursements. . . . .	<u>(212,772)</u>	<u>(128,623)</u>	<u>91,009</u>	<u>219,632</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	8,624	8,740	8,998	258
Refund of prior year's receipts. . . . .	(200)	(200)	-	200
Transfers (out). . . . .	(150,000)	(125,000)	(122,989)	2,011
Advances in. . . . .	45	46	46	-
Advances (out) . . . . .	(10,000)	(10,000)	-	10,000
<b>Total other financing sources (uses) . . . . .</b>	<u>(151,531)</u>	<u>(126,414)</u>	<u>(113,945)</u>	<u>12,469</u>
Net change in fund balance . . . . .	(364,303)	(255,037)	(22,936)	232,101
<b>Fund balance at beginning</b>				
of year (restated) . . . . .	2,602,391	2,602,391	2,602,391	-
<b>Prior year encumbrances appropriated . . . . .</b>	59,221	59,221	59,221	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,297,309</u>	<u>\$ 2,406,575</u>	<u>\$ 2,638,676</u>	<u>\$ 232,101</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH BASIS FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . .	\$ 29,172	\$ 22,312
<b>Net position:</b>		
Endowments. . . . .	\$ 10,000	\$ -
Held in trust for scholarships . . . . .	19,172	-
Held for student activities . . . . .	-	22,312
Total net position. . . . .	\$ 29,172	\$ 22,312

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private Purpose Trust</b>
<b>Additions:</b>	
Interest. . . . .	\$ 120
 <b>Deductions:</b>	
Non-instructional services . . . . .	750
Change in net position . . . . .	(630)
<b>Net position at beginning of year. . . . .</b>	<b>29,802</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 29,172</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**This page intentionally left blank.**

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

New Knoxville 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 serves an area of approximately twenty-seven square miles. It is located in Auglaize and Shelby Counties. It is staffed by 18 classified employees, 34 certified teaching personnel, and 3 administrative employees who provide services to 415 students and other community members. The School District currently operates one school building.

**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 insure 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 Knoxville 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 Knoxville Local School District.

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the Auglaize County Local Professional Development Committee, Western Ohio Computer Organization, Auglaize County Educational Academy, Southwest Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, Mercer-Auglaize Area Schools Employee Welfare Benefit Trust, and the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**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.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**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. Non-major 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 divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major governmental funds are as follows:

**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.

**Bond Retirement Fund** - The bond retirement fund is used to account for the retirement of bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fiduciary Funds**

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 various student-managed activities.

**D. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. 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 has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for 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 receipts 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**F. 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 Cash Equivalents".

During fiscal year 2015, investments consisted of negotiable certificates of deposit and federal agency securities which are reported at cost.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$10,143, which includes \$3,279 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.

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

**G. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either 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.

**K. 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 governmental funds. The classifications are as follows:

**Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

**Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead disbursements 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 receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

**M. Pensions**

For purposes of measuring the net pension liability, 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.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the School District has implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the School District's pension plan disclosures as presented in Note 10 to the financial statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the School District.

**B. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The School District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2014 is as follows:

<b>Budgetary Basis</b>	<b>General Fund</b>
Balance at June 30, 2014	\$2,672,655
Funds budgeted elsewhere	(70,264)
Restated balance at July 1, 2014	\$2,602,391

**C. Compliance**

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

**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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**B. Cash on Hand**

At fiscal year end, the School District had \$100 in un-deposited cash on hand which is included on the financial statements of the School District as part of “equity in pooled cash, cash equivalents and investments.”

**C. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all School District deposits was \$3,415,284. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2015, \$2,908,015 of the School District’s bank balance of \$3,437,487 was exposed to custodial risk as discussed below, while \$529,472 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2015, the School District had the following investments and maturities:

Investment Type	Carrying Value	Fair Value	Investment Maturities At Fair Value			
			6 Months Or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months
Negotiable certificates of deposit	\$450,000	\$450,000			\$200,000	\$250,000
FHLMC	200,000	200,000				200,000
Total	\$650,000	\$650,000	\$0	\$0	\$200,000	\$450,000

The weighted average maturity of investments is 1.69 years.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District’s investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** The School District’s investment policy does not specifically address credit risk beyond requiring the School District to only invest in securities authorized by State statute.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk:** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2015:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>
Negotiable certificates of deposit	\$450,000	69.23
FHLMC	200,000	30.77
Total	<u>\$650,000</u>	<u>100.00</u>

**E. 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, 2015:

<b>Cash and investments per note:</b>	
Carrying amount of deposits	\$3,415,284
Investments	650,000
Cash on hand	100
Total	<u>\$4,065,384</u>
 <b>Cash per statement of net position:</b>	
Governmental activities	\$4,013,900
Private-purpose trust	29,172
Agency fund	22,312
Total	<u>\$4,065,384</u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected 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.

The School District receives property taxes from Auglaize and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2015 taxes were collected are:

	<b>2014 Second Half Collections</b>		<b>2015 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$49,344,940	98.16	\$62,078,070	98.48
Public utility personal	923,830	1.84	956,160	1.52
Total	<u>\$50,268,770</u>	<u>100.00</u>	<u>\$63,034,230</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$59.45		\$54.65	

**6. INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The 1 percent tax levy was renewed effective on January 1, 2015, for a continuing period of time and .25 percent was effective on January 1, 2007, for a twenty-three year period. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. INTERFUND TRANSACTIONS**

**A.** Interfund advances consisted of the following at June 30, 2015, as reported on the fund statement:

<u>Advance out</u>	<u>Advance in</u>	<u>Amount</u>
Non-major governmental funds	General fund	<u>\$46</u>

The purpose of the advance is to repay a prior year advance.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2015 are reported on the statement of net position.

**B.** Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported in the fund financial statements:

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**7. INTERFUND TRANSACTIONS (Continued)**

<b>Transfers to non-major governmental funds from:</b>	
General fund	\$122,989
Non-major governmental fund	21,778
Total	<u>\$144,767</u>

The purpose of the above transfers are to move revenues from the general fund and the permanent improvement replacement fund (a non-major governmental fund) into the building fund (a non-major governmental fund) and the classroom facilities maintenance fund (a non-major governmental fund) to comply with the agreement set forth between the Ohio School Facilities Commission and the School District.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**8. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with the Southwest Ohio Education Purchasing Council for the following insurance coverage.

Buildings and Contents	\$ 350,000,000
Flood	10,000,000
Earthquake	25,000,000
General Liability Aggregate	5,000,000
Automobile	1,000,000

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 2015, the School District participated in the Southwest Ohio Education Purchasing Council Plan (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 School 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 School District pays monthly premiums to the Trust for employee medical, drug, 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 School District participates in the Better Business Bureau of Central Ohio 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 School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's 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 KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**9. COMMITMENTS**

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

<u>Fund</u>	<u>Year - End Encumbrances</u>
General	\$27,027
Other governmental	48,390
Total	<u>\$75,417</u>

**10. PENSION PLANS**

**A. Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. PENSION PLANS (Continued)**

**B. Plan Description - School Employees Retirement System (SERS)**

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; 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; 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 School 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$63,529 for fiscal year 2015.



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. PENSION PLANS (Continued)**

**C. Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)**

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

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 year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. PENSION PLANS (Continued)**

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, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$271,393 for fiscal year 2015.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$766,024	\$4,403,213	\$5,169,237
Proportion of the net pension liability	0.01513600%	0.01812074%	

**E. 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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. PENSION PLANS (Continued)**

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. PENSION PLANS (Continued)**

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School District's proportionate share of the net pension liability	\$1,092,889	\$766,024	\$491,103

**F. Actuarial Assumptions - STRS Ohio**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 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, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's 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:

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

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**10. PENSION PLANS (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 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%)
School District's proportionate share of the net pension liability	\$6,303,679	\$4,403,213	\$2,796,058

**11. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 (the latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**11. POST-EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the actuarially determined amount was \$20,450.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$11,996, \$542 and \$2,226, respectively; 92.95 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$3,779, \$2,507 and \$3,035, respectively; 92.95 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$16,657 and \$15,653, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**12. 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 five to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer each earn twenty days of vacation per year, respectively. 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 a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred thirty days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-seven and a half days for all employees.

**B. Health Care Benefits**

The School District offers medical, drug, 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.

**13. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	<b>Balance 6/30/14</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/15</b>	<b>Due Within One Year</b>
General Obligation Bonds					
1998 High School Building					
Capital Appreciation Bonds	\$24,760		(\$13,182)	\$11,578	\$11,578
2007 OSFC Building					
Serial Bonds 4%	440,000		(85,000)	355,000	85,000
Term Bonds 4-4.125%	1,085,000			1,085,000	-
Capital Appreciation Bonds	54,999			54,999	-
2007 High School Refunding					
Serial Bonds 4%	445,000		(15,000)	430,000	15,000
Term Bonds 4-4.125%	595,000			595,000	
Capital Appreciation Bonds	79,998			79,998	
Loan Payable 4.47%	495,234		(91,286)	403,948	95,019
<b>Total General Long-Term Obligations</b>	<b>\$3,219,991</b>	<b>\$0</b>	<b>(\$204,468)</b>	<b>\$3,015,523</b>	<b>\$206,597</b>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

**High School Building General Obligation Bonds** - On March 20, 1998, the School District issued \$1,999,768 in voted general obligation bonds for constructing an addition to their existing instructional building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$725,000, \$1,235,000, and \$39,768, respectively. The bonds were issued for a twenty-seven year period, with final maturity during fiscal year 2025. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.5 mill voted property tax levy. The term bonds were advance refunded during fiscal year 2007, in the amount of \$1,235,000. Final maturity for the un-refunded serial and capital appreciation bonds was adjusted to fiscal year 2017.

The remaining capital appreciation bonds will mature in fiscal year 2016. The maturity amount of the bonds is \$115,000.

**2007 OSFC Building General Obligation Bonds** - On March 28, 2007, the School District issued \$1,999,999 in voted general obligation bonds to renovate, improve, expand, furnish, and equip the current school facilities. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$860,000, \$1,085,000, and \$54,999, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2030. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 3.3 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$105,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$105,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023 (with the balance of \$115,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$110,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2025 through 2028 (with the balance of \$140,000 to be paid at stated maturity on December 1, 2029), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:



**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

<u>Year</u>	<u>Amount</u>
2025	\$115,000
2026	130,000
2027	130,000
2028	135,000

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$170,000.

**2007 High School Refunding General Obligation Bonds** - On March 28, 2007, the School District issued \$1,234,998 in voted general obligation bonds to refund \$1,235,000 of the High School Building general obligation bonds. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$560,000, \$595,000, and \$79,998, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2025. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.5 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2021 (with the balance of \$155,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$145,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2023 (with the balance of \$160,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$155,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District, in the amount of \$135,000.

The serial bonds maturing after December 1, 2017, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2008, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$260,000.

All of the refunded bonds pertaining to the 1998 High School Building general obligation refunding bonds have been retired by the escrow agent.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

**Loan Payable** - On September 16, 2008, the School District obtained a loan, in the amount of \$900,000, to pay for the locally funded initiatives portion of the Ohio School Facilities Commission building project. The loan was issued for a ten year period, with final maturity during fiscal year 2019. The loan is being retired through the Building Fund.

The School District's overall debt margin was \$3,565,820 with an un-voted debt margin of \$63,034 at June 30, 2015.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2015 were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial & Term			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$100,000	\$97,413	\$197,413	\$11,578	\$103,422	\$115,000
2017		95,413	95,413	71,341	143,659	215,000
2018		95,413	95,413	63,656	151,344	215,000
2019	215,000	91,113	306,113			
2020	230,000	82,213	312,213			
2021 - 2025	1,270,000	262,663	1,532,663			
2026 - 2030	650,000	69,300	719,300			
Total	<u>\$2,465,000</u>	<u>\$793,528</u>	<u>\$3,258,528</u>	<u>\$146,575</u>	<u>\$398,425</u>	<u>\$545,000</u>

Fiscal Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2016	\$95,019	\$16,525	\$111,544
2017	98,906	12,639	111,545
2018	102,951	8,593	111,544
2019	<u>107,072</u>	<u>4,383</u>	<u>111,455</u>
Total	<u>\$403,948</u>	<u>\$42,140</u>	<u>\$446,088</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance of their value at final maturity.

**14. SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a 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 fiscal year must be held in cash at fiscal year-end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2015.

	<u>Capital Improvements</u>
Balance June 30, 2014	
Current Year Set Aside Requirement	\$71,065
Current Year Offsets	<u>(71,065)</u>
Balance June 30, 2015	<u>\$0</u>

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**15. DONOR RESTRICTED ENDOWMENTS**

The School 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 School District is \$19,172 and is included as held in trust for scholarships. State law permits the School 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.

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Auglaize County Local Professional Development Committee**

The Auglaize County Local Professional Development Committee is a consortium operated under the direction of a Board consisting of the president of the local teachers' union from each member, one principal from each local school district, the superintendent from each local school district, and the project coordinator. The jointly governed organization was formed to provide an appropriate process for educators to create an Individual Professional Development Plan that will facilitate professional growth opportunities and effectively meet state licensure requirements. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**B. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is council of government consisting of 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 2015, the School District paid \$41,382 to WOCO for various services. Financial information can be obtained from the Western Ohio Computer Organization, 129 East Court Street, Sidney, Ohio 45365.

**C. 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 Academy, 1130 East Albert Street, Lima, Ohio 45804.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. Southwest Ohio Educational Purchasing Council**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2015, the School District paid \$20,433 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**E. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**17. INSURANCE POOLS**

**A. Southwest Ohio Educational Purchasing Council**

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2015, the School District paid \$19,960 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**17. INSURANCE POOLS (Continued)**

**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, drug, 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. Better Business Bureau of Central Ohio 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 Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan) was established through the Better Business Bureau of Ohio as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**18. 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, 2015.

**B. Litigation**

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

**19. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (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 difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

**NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**19. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

<u>Net Change in Fund Balance</u>	
	<u>General fund</u>
Budget basis	(\$22,936)
Funds budgeted elsewhere **	(13,025)
Adjustment for encumbrances	26,585
Cash basis	<u>(\$9,376)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the uniform school supplies fund and the public school support fund.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

New Knoxville Local School District  
Auglaize County  
P.O. Box 476  
345 South Main Street  
New Knoxville, Ohio 45871

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Knoxville Local School District, Auglaize County, (the School District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 14, 2017, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 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 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.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***School District's Response to Findings***

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

***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 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 14, 2017



NEW KNOXVILLE LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2016 AND 2015

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

FINDING NUMBER 2016-001

**NONCOMPLIANCE**

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

**Ohio Admin. Code § 117-2-03(B)** requires, in part, all school districts to file annual financial reports which are prepared using generally accepted accounting principles.

The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements in accordance with generally accepted accounting principles to provide users with more complete and meaningful financial statements.

**Officials' Response:**

The School District has decided not to file financial statements according to generally accepted accounting principles due to the expense of the reports and the time required of the treasurer to compile the data for the reports. The Board also feels that the School District does not have a real need for the GAAP reports. When the School District secured the financing for the OSFC project the GAAP reports did not play a factor in the funding. The School District treasurer does not have a support staff and does not have the time to help prepare the GAAP reports nor does the School District have the funds to pay for the preparation of the GAAP reports.

**NEW KNOXVILLE LOCAL SCHOOL**  
 345 South Main Street New Knoxville, OH 45871-0476  
 Amy Reineke , Treasurer  
 Phone: 419-753-2431  
 Fax: 419-753-2333



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code Section 117.28 and Ohio Admin. Code Section 117-2-03(B) – Failure to file financial statements in accordance with GAAP.	Not corrected	The School District has decided not to file financial statements according to generally accepted accounting principles due to the expense of the reports and the time required of the treasurer to compile the data for the reports. The Board also feels that the School District does not have a real need for the GAAP reports. When the School District secured the financing for the OSFC project the GAAP reports did not play a factor in the funding. The School District treasurer does not have a support staff and does not have the time to help prepare the GAAP reports nor does the School District have the funds to pay for the preparation of the GAAP reports.



# Dave Yost • Auditor of State

**NEW KNOXVILLE 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  
DECEMBER 14, 2017**