



OHIO AUDITOR OF STATE  
**KEITH FABER**





**NEW BREMEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
JUNE 30, 2018 AND 2017**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis – June 30, 2018.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2018 .....	13
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2018 .....	14
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds - June 30, 2018.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2018.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual (Budget Basis) - General Fund – For the Fiscal Year Ended June 30, 2018.....	17
Statement of Fiduciary Net Position – Cash Basis – June 30, 2018 .....	18
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund – For the Fiscal Year Ended June 30, 2018.....	19
Notes to the Basic Financial Statements – Fort the Fiscal Year Ended June 30, 2018 .....	21
Management's Discussion and Analysis – For Fiscal Year Ended June 30, 2017 .....	57
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2017 .....	67
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2017 .....	68

**NEW BREMEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY  
JUNE 30, 2018 AND 2017**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds - June 30, 2017 .....	69
Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2017 .....	70
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual (Budget Basis) - General Fund – For the Fiscal Year Ended June 30, 2017.....	71
Statement of Fiduciary Net Position – Cash Basis - June 30, 2017 .....	72
Statement of Changes in Fiduciary Net Position – Cash Basis - Fiduciary Fund – For the Fiscal Year Ended June 30, 2017.....	73
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2017 .....	75
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	103
Schedule of Findings.....	105

# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize, County, Ohio (the School District), as of and for the years ended June 30, 2018 and 2017, 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.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274

[www.ohioauditor.gov](http://www.ohioauditor.gov)

**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 New Bremen Local School District, Auglaize County, Ohio, as of June 30, 2018 and 2017, 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.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2017, the School District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. 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 them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

March 11, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The management's discussion and analysis of the New Bremen Local School District's financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2018, 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 2018 are as follows:

- The total net cash position of the School District increased \$16,556,166 or 254.25% from fiscal year 2017.
- General cash receipts accounted for \$26,671,608 or 94.14% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,660,930 or 5.86% of total governmental activities cash receipts.
- The School District had \$11,776,372 in cash disbursements related to governmental activities; \$1,660,930 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, the building fund, and the classroom facilities fund. The general fund had cash receipts and other financing sources of \$10,042,241 in 2018. The cash disbursements and other financing uses of the general fund totaled \$8,893,010 in 2018. The general fund's cash balance increased \$1,149,231 or 21.64% from 2017 to 2018.
- The building fund had cash receipts and other financing sources of \$8,099,060 in 2018. The cash disbursements of the building fund totaled \$474,818 in 2018. The building fund's cash balance increased \$7,624,242 or 100% from 2017 to 2018.
- The classroom facilities fund had cash receipts and other financing sources of \$7,709,515 in 2018. The cash disbursements of the classroom facilities fund totaled \$267,561. The classroom facilities fund's cash balance increased \$7,441,954 or 100% from 2017 to 2018.

**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 nonmajor funds presented in total in one column. In the case of the School District, there are three major governmental funds; the general fund, building fund, and classroom facilities fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Reporting the 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 2018?" 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.

These two statements report the School District's net cash position and changes in those assets on a cash basis. This change in net cash position is important because it tells the reader that, for the School District, 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 13-14 of this report.

**Reporting the 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, the building fund, and the classroom facilities. The analysis of the School District's major governmental fund begins on page 9.

***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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 15-16 of this report.

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 17 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 18-19. 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 21 - 55 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, 2018 and June 30, 2017.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<b><u>Assets</u></b>		
Equity in pooled cash and investments	\$ 23,067,825	\$ 6,511,659
Total assets	<u>23,067,825</u>	<u>6,511,659</u>
<b><u>Net cash position</u></b>		
Restricted	16,608,931	1,201,996
Unrestricted	<u>6,458,894</u>	<u>5,309,663</u>
Total net cash position	<u>\$ 23,067,825</u>	<u>\$ 6,511,659</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The total net cash position of the School District increased \$16,556,166 which represents a 254.25% increase from fiscal year 2017. Net position increased as a result of \$14,365,000 in School Facilities Construction and Improvement bonds that were issued during fiscal year 2018 and participation in the Ohio Facilities Construction Commission (OFCC) to construct new classroom facilities. The District received \$983,287 in grants from the OFCC during fiscal year 2018. The balance of government-wide unrestricted net cash position of \$6,458,894 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 years 2018 and 2017.

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<b><u>Cash receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 995,161	\$ 960,849
Operating grants and contributions	665,769	708,534
Capital grants and contributions	-	723
General cash receipts:		
Property taxes	3,276,948	2,951,106
Income taxes	2,986,986	1,580,620
Grants and entitlements	4,697,739	3,812,193
Investment earnings	236,472	72,402
Payments in Lieu of Taxes	39,963	39,963
Miscellaneous	43,456	57,747
Issuance of Bonds	14,365,000	-
Premium on Bonds	907,077	-
Sale of Assets	2,467	-
Insurance proceeds	<u>115,500</u>	<u>-</u>
Total cash receipts	<u>28,332,538</u>	<u>10,184,137</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Change in Net Position - (Continued)</b>	
	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
<b><u>Cash disbursements</u></b>		
Program disbursements:		
Instruction:		
Regular	\$ 4,590,339	\$ 4,595,708
Special	937,358	934,172
Vocational	112,347	111,316
Other	20,671	21,732
Support services:		
Pupil	637,163	606,536
Instructional staff	326,508	289,299
Board of education	105,296	54,084
Administration	680,859	772,365
Fiscal	191,071	219,040
Operations and maintenance	941,402	883,154
Pupil transportation	312,499	209,999
Central	82,056	80,943
Food service operations	262,122	264,819
Extracurricular activities	503,450	506,123
Facilities acquisition and construction	610,312	31,228
Debt Service:		
Principal retirement	740,000	735,000
Interest and fiscal charges	397,164	10,632
Bond Issuance Cost	325,755	-
	<u>11,776,372</u>	<u>10,326,150</u>
Total cash disbursements		
Change in net cash position	16,556,166	(142,013)
Net cash position at beginning of year	<u>6,511,659</u>	<u>6,653,672</u>
Net cash position at end of year	<u>\$ 23,067,825</u>	<u>\$ 6,511,659</u>

**Governmental Activities**

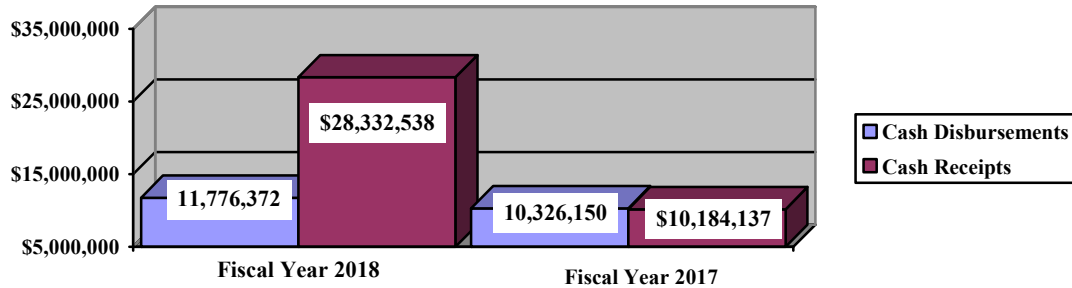
Governmental net cash position increased \$16,556,166 in 2018 from 2017. Total governmental disbursements of \$11,776,372 were offset by program receipts of \$1,660,930 and general receipts of \$26,671,608. Program receipts supported 14.10% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$5,660,715.

The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These receipt sources represent 35.36% of total governmental receipts. Real estate property is reappraised every six years. The School District also issued \$14,365,000 in bonds during fiscal year 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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



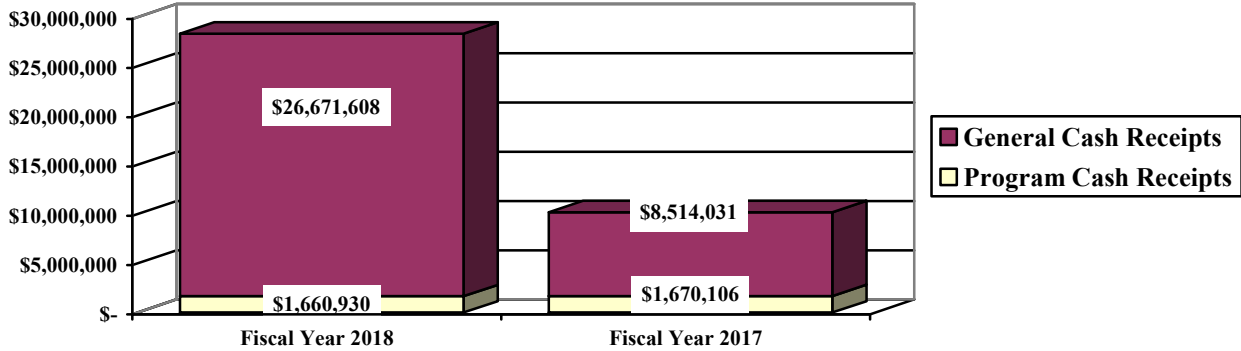
	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 4,590,339	\$ 4,033,015	\$ 4,595,708	\$ 3,934,936
Special	937,358	387,690	934,172	475,860
Vocational	112,347	65,425	111,316	71,352
Other	20,671	20,671	21,732	21,732
Support services:				
Pupil	637,163	637,163	606,536	606,536
Instructional staff	326,508	326,508	289,299	289,299
Board of education	105,296	105,296	54,084	54,084
Administration	680,859	680,834	772,365	772,293
Fiscal	191,071	191,049	219,040	218,996
Operations and maintenance	941,402	936,261	883,154	873,727
Pupil transportation	312,499	286,313	209,999	186,974
Central	82,056	82,056	80,943	80,943
Operation of non instructional services:				
Food service operations	262,122	26,258	264,819	22,356
Extracurricular	503,450	264,660	506,123	271,137
Facilities acquisition and construction	610,312	609,324	31,228	30,187
Debt service:				
Principal retirement	740,000	740,000	735,000	735,000
Interest and fiscal charges	397,164	397,164	10,632	10,632
Bond issuance costs	325,755	325,755	-	-
<b>Total</b>	<b>\$ 11,776,372</b>	<b>\$ 10,115,442</b>	<b>\$ 10,326,150</b>	<b>\$ 8,656,044</b>

As the preceding table shows, the dependence upon general cash receipts for governmental activities is apparent; with only 14.10% of cash disbursements supported through program cash receipts during 2018.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 reported a combined fund cash balance of \$23,067,825, which is \$16,556,166 more than last year's total of \$6,511,659. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2018</u>	Fund Cash Balance <u>June 30, 2017</u>	<u>Increase</u>
General fund	\$ 6,458,894	\$ 5,309,663	\$ 1,149,231
Bond retirement fund	-	759,327	(759,327)
Building	7,624,242	-	7,624,242
Classroom facilities	7,441,954	-	7,441,954
Other nonmajor governmental funds	<u>1,542,735</u>	<u>442,669</u>	<u>1,100,066</u>
Total	<u>\$ 23,067,825</u>	<u>\$ 6,511,659</u>	<u>\$ 16,556,166</u>

**General Fund**

The School District's largest major fund is the general fund. The general fund had cash receipts and other financing sources of \$10,042,241 in 2018. The cash disbursements and other financing uses of the general fund totaled \$8,893,010 in 2018. The general fund's cash balance increased \$1,149,231 or 21.64% from 2017 to 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 5,377,341	\$ 3,845,617	39.83 %
Tuition	495,376	459,343	7.84 %
Transportation Fees	14,581	14,022	3.99 %
Payment in lieu of taxes	39,963	39,963	- %
Earnings on investments	94,684	72,402	30.78 %
Extracurricular	17,796	33,132	(46.29) %
Classroom Materials and Fees	44,452	41,538	7.02 %
Rental Income	4,916	9,372	(47.55) %
Contributions and Donations	40,300	53,841	(25.15) %
Other revenues	3,156	3,906	(19.20) %
Intergovernmental	<u>3,907,209</u>	<u>3,885,550</u>	0.56 %
Total	<u>\$ 10,039,774</u>	<u>\$ 8,458,686</u>	18.69 %

Taxes increased by 39.83% or \$1,531,724 due to a general increase in levied taxes. Earnings on investments increased 30.78% or \$22,282 due an increase in investments held and an increase in interest rates. Extracurricular revenue decreased 46.29% or \$15,336 due to less money being received from various school sponsored activities. Otherwise, general fund cash receipts remained consistent with prior years, with an increase of 18.69%

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

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 5,347,572	\$ 5,128,615	4.27
Support services	3,218,745	3,101,711	3.77
Extracurricular activities	<u>295,600</u>	<u>297,740</u>	(0.72)
Total	<u>\$ 8,861,917</u>	<u>\$ 8,528,066</u>	3.91

Overall, there was a slight increase in disbursements of \$333,851 or 3.91%. All disbursements remained comparable to 2017.

***Building Fund***

The building fund had cash receipts and other financing sources of \$8,099,060 in 2018. The cash disbursements of the building fund totaled \$474,818 in 2018. The building fund's cash balance increased \$7,624,242 or 100% from 2017 to 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***Classroom Facilities Fund***

The classroom facilities fund had cash receipts and other financing sources of \$7,709,515 in 2018. The cash disbursements of the classroom facilities fund totaled \$267,561. The classroom facilities fund's cash balance increased \$7,441,954 or 100% from 2017 to 2018.

***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 \$9,484,752 were greater than the original budget estimates and other financing sources of \$9,377,254. Actual cash receipts and other financing sources of \$10,009,120 were higher than final budget estimates and other financing sources by \$524,368. The final budgetary disbursements and other financing uses were \$9,130,630 and original budgetary basis disbursements and other financing uses were \$9,130,630. The actual budgetary basis disbursements of \$8,869,977 were \$260,653 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. The School District had facilities acquisition and construction disbursements of \$610,312 during fiscal year 2018.

***Debt Administration***

At June 30, 2018, the School District had \$14,365,000 in 2017 General Obligation Bonds outstanding, \$500,000 of which is due within one year. The following table summarizes the obligations outstanding.

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Refunding School Improvement Bonds	\$ -	\$ 740,000
2017 General Obligation Bonds	<u>14,365,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 14,365,000</u>	<u>\$ 740,000</u>

Refer to Note 15 to the basic financial statements for further detail.

**Current Financial Related Activities**

School District voters renewed a 5 year, 1 mill permanent improvement levy in May, 2017.

The Board of Education has selected the architect firm of Garmann/Miller & Associates to begin pre-bond work for a building issue which was passed on the May, 2017 ballot. This follows two building levy defeats over the past several years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . .	\$ 23,067,825
 <b>Net position:</b>	
Restricted for:	
Debt service. . . . .	777,642
Capital projects . . . . .	15,556,294
Classroom facilities maintenance . . . . .	29,752
Food service operations . . . . .	18,673
Other purposes . . . . .	140,730
Extracurricular . . . . .	85,840
Unrestricted . . . . .	6,458,894
Total net position. . . . .	\$ 23,067,825

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Cash Disbursements	Program Revenues		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,590,339	\$ 444,471	\$ 112,853	\$ (4,033,015)
Special . . . . .	937,358	95,357	454,311	(387,690)
Vocational . . . . .	112,347	-	46,922	(65,425)
Other . . . . .	20,671	-	-	(20,671)
Support services:				
Pupil . . . . .	637,163	-	-	(637,163)
Instructional staff . . . . .	326,508	-	-	(326,508)
Board of education . . . . .	105,296	-	-	(105,296)
Administration . . . . .	680,859	-	25	(680,834)
Fiscal . . . . .	191,071	22	-	(191,049)
Operations and maintenance . . . . .	941,402	5,141	-	(936,261)
Pupil transportation . . . . .	312,499	14,581	11,605	(286,313)
Central . . . . .	82,056	-	-	(82,056)
Operation of non-instructional services:				
Food service operations . . . . .	262,122	196,240	39,624	(26,258)
Extracurricular activities . . . . .	503,450	238,361	429	(264,660)
Facilities acquisition and construction . . . . .	610,312	988	-	(609,324)
Debt service:				
Principal retirement . . . . .	740,000	-	-	(740,000)
Interest and fiscal charges . . . . .	397,164	-	-	(397,164)
Bond Issuance Cost . . . . .	325,755	-	-	(325,755)
<b>Total governmental activities . . . . .</b>	<b>\$ 11,776,372</b>	<b>\$ 995,161</b>	<b>\$ 665,769</b>	<b>(10,115,442)</b>

**General cash receipts:**

Property taxes levied for:	
General purposes . . . . .	2,390,355
Special revenue . . . . .	33,030
Debt service . . . . .	787,217
Capital outlay . . . . .	66,346
Payments in lieu of taxes . . . . .	39,963
Income taxes levied for:	
General purposes . . . . .	2,986,986
Grants and entitlements not restricted to specific programs . . . . .	
	3,714,452
Grants and entitlements restricted for	
Ohio Facilities Construction Commission . . . . .	983,287
Investment earnings . . . . .	236,472
Miscellaneous . . . . .	43,456
Issuance of Bonds . . . . .	14,365,000
Premium on Bonds . . . . .	907,077
Sale of Assets . . . . .	2,467
Insurance proceeds . . . . .	115,500
<b>Total general cash receipts . . . . .</b>	<b>26,671,608</b>
Change in net position . . . . .	16,556,166
<b>Net position at beginning of year . . . . .</b>	<b>6,511,659</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 23,067,825</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 6,458,894	\$ 7,624,242	\$ 7,441,954	\$ 1,542,735	\$ 23,067,825
Total assets . . . . .	<u>\$ 6,458,894</u>	<u>\$ 7,624,242</u>	<u>\$ 7,441,954</u>	<u>\$ 1,542,735</u>	<u>\$ 23,067,825</u>
<b>Fund balances:</b>					
Restricted:					
Debt service . . . . .	\$ -	-	-	\$ 777,642	\$ 777,642
Capital improvements . . . . .	-	7,624,242	7,441,954	490,098	15,556,294
Classroom facilities maintenance . . . . .	-	-	-	29,752	29,752
Food service operations . . . . .	-	-	-	18,673	18,673
Other purposes. . . . .	-	-	-	140,730	140,730
Extracurricular. . . . .	-	-	-	85,840	85,840
Committed:					
Capital improvements . . . . .	-	-	-	-	-
Assigned:					
Student and staff support. . . . .	9,881	-	-	-	9,881
School supplies . . . . .	73,628	-	-	-	73,628
Unassigned . . . . .	6,375,385	-	-	-	6,375,385
Total fund balances . . . . .	<u>\$ 6,458,894</u>	<u>\$ 7,624,242</u>	<u>\$ 7,441,954</u>	<u>\$ 1,542,735</u>	<u>\$ 23,067,825</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 2,390,355	\$ -	\$ -	\$ 886,593	\$ 3,276,948
Income taxes . . . . .	2,986,986	-	-	-	2,986,986
Payment in lieu of taxes . . . . .	39,963	-	-	-	39,963
Tuition . . . . .	495,376	-	-	-	495,376
Transportation fees . . . . .	14,581	-	-	-	14,581
Earnings on investments . . . . .	94,684	70,907	62,881	8,473	236,945
Charges for services . . . . .	-	-	-	196,240	196,240
Extracurricular . . . . .	17,796	-	-	220,565	238,361
Classroom materials and fees . . . . .	44,452	-	-	-	44,452
Rental income . . . . .	4,916	-	-	1,235	6,151
Contributions and donations . . . . .	40,300	-	-	82,417	122,717
Other local revenues . . . . .	3,156	-	-	-	3,156
Intergovernmental - state . . . . .	3,820,209	-	983,287	111,910	4,915,406
Intergovernmental - federal . . . . .	87,000	-	-	278,212	365,212
Total receipts . . . . .	<u>10,039,774</u>	<u>70,907</u>	<u>1,046,168</u>	<u>1,785,645</u>	<u>12,942,494</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	4,493,315	-	-	97,024	4,590,339
Special . . . . .	725,587	-	-	211,771	937,358
Vocational . . . . .	107,999	-	-	4,348	112,347
Other . . . . .	20,671	-	-	-	20,671
Support services:					
Pupil . . . . .	637,163	-	-	-	637,163
Instructional staff . . . . .	326,508	-	-	-	326,508
Board of education . . . . .	105,296	-	-	-	105,296
Administration . . . . .	680,834	-	-	25	680,859
Fiscal . . . . .	177,007	-	-	14,064	191,071
Operations and maintenance . . . . .	897,382	-	-	44,020	941,402
Pupil transportation . . . . .	312,499	-	-	-	312,499
Central . . . . .	82,056	-	-	-	82,056
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	262,122	262,122
Extracurricular activities . . . . .	295,600	-	-	207,850	503,450
Facilities acquisition and construction . . . . .	-	149,063	267,561	193,688	610,312
Debt service:					
Principal retirement . . . . .	-	-	-	740,000	740,000
Interest and fiscal charges . . . . .	-	-	-	397,164	397,164
Bond issuance costs . . . . .	-	325,755	-	-	325,755
Total disbursements . . . . .	<u>8,861,917</u>	<u>474,818</u>	<u>267,561</u>	<u>2,172,076</u>	<u>11,776,372</u>
Excess of receipts over disbursements . . . . .	<u>1,177,857</u>	<u>(403,911)</u>	<u>778,607</u>	<u>(386,431)</u>	<u>1,166,122</u>
<b>Other financing sources (uses):</b>					
Premium on bonds and notes sold . . . . .	-	325,755	-	581,322	907,077
Sale of bonds . . . . .	-	7,701,653	6,663,347	-	14,365,000
Sale/loss of assets . . . . .	2,467	-	-	-	2,467
Transfers in . . . . .	-	745	-	341,990	342,735
Transfers (out) . . . . .	(26,745)	-	-	(315,990)	(342,735)
Advances in . . . . .	-	-	-	4,348	4,348
Advances (out) . . . . .	(4,348)	-	-	-	(4,348)
Insurance proceeds . . . . .	-	-	-	115,500	115,500
Total other financing sources (uses) . . . . .	<u>(28,626)</u>	<u>8,028,153</u>	<u>6,663,347</u>	<u>727,170</u>	<u>15,390,044</u>
Net change in fund balances . . . . .	1,149,231	7,624,242	7,441,954	340,739	16,556,166
<b>Fund balances at beginning of year . . . . .</b>	<u>5,309,663</u>	<u>-</u>	<u>-</u>	<u>1,201,996</u>	<u>6,511,659</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 6,458,894</u>	<u>\$ 7,624,242</u>	<u>\$ 7,441,954</u>	<u>\$ 1,542,735</u>	<u>\$ 23,067,825</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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 . . . . .	\$ 2,311,493	\$ 2,248,125	\$ 2,390,355	\$ 142,230
Income taxes. . . . .	2,621,107	2,749,206	2,986,986	237,780
Payment in lieu of taxes. . . . .	39,963	39,963	39,963	-
Tuition. . . . .	452,879	452,879	495,376	42,497
Transportation fees. . . . .	14,302	14,302	14,581	279
Earnings on investments . . . . .	50,000	50,000	94,684	44,684
Rental income . . . . .	9,559	9,559	4,916	(4,643)
Contributions and donations . . . . .	55,717	96,017	40,300	(55,717)
Other local revenues . . . . .	3,984	3,984	3,156	(828)
Intergovernmental - state . . . . .	3,758,750	3,758,750	3,820,209	61,459
Intergovernmental - federal . . . . .	35,000	35,000	80,811	45,811
<b>Total receipts . . . . .</b>	<u>9,352,754</u>	<u>9,457,785</u>	<u>9,971,337</u>	<u>513,552</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	4,603,126	4,527,751	4,487,702	40,049
Special. . . . .	752,012	730,655	725,587	5,068
Vocational. . . . .	120,378	126,008	107,999	18,009
Other. . . . .	3,494	27,091	20,671	6,420
Support services:				
Pupil. . . . .	639,320	663,208	637,163	26,045
Instructional staff . . . . .	426,214	398,069	326,508	71,561
Board of education . . . . .	61,636	110,113	105,296	4,817
Administration. . . . .	672,060	716,380	680,834	35,546
Fiscal . . . . .	165,794	187,037	177,007	10,030
Operations and maintenance. . . . .	967,814	919,792	897,382	22,410
Pupil transportation . . . . .	315,278	325,451	312,499	12,952
Central. . . . .	98,219	84,572	82,056	2,516
Extracurricular activities. . . . .	279,285	283,405	278,180	5,225
<b>Total disbursements . . . . .</b>	<u>9,104,630</u>	<u>9,099,532</u>	<u>8,838,884</u>	<u>260,648</u>
Excess (deficiency) of receipts over (under) disbursements. . . . .	<u>248,124</u>	<u>358,253</u>	<u>1,132,453</u>	<u>774,200</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	24,500	24,500	35,316	10,816
Transfers (out). . . . .	(26,000)	(26,750)	(26,745)	5
Advances (out) . . . . .	-	(4,348)	(4,348)	-
Sale of capital assets . . . . .	-	2,467	2,467	-
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,500)</u>	<u>(4,131)</u>	<u>6,690</u>	<u>10,821</u>
Net change in fund balance . . . . .	246,624	354,122	1,139,143	785,021
<b>Fund balance at beginning of year . . . . .</b>	5,232,242	5,232,242	5,232,242	-
<b>Prior year encumbrances appropriated . . . . .</b>	4,000	4,000	4,000	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,482,866</u>	<u>\$ 5,590,364</u>	<u>\$ 6,375,385</u>	<u>\$ 785,021</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION- CASH BASIS  
JUNE 30, 2018

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 10,063	\$ 73,522
Total assets. . . . .	10,063	\$ 73,522
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 73,522
Total liabilities. . . . .	-	\$ 73,522
<b>Net position:</b>		
Held in trust for scholarships . . . . .	10,063	
Total net position. . . . .	\$ 10,063	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 75
 <b>Deductions:</b>	
Scholarships awarded . . . . .	50
Change in net position . . . . .	25
<b>Net position at beginning of year. . . . .</b>	<b>10,038</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 10,063</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

New Bremen Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District serves an area of approximately thirty-six square miles. It is located in Auglaize, Mercer, and Shelby Counties. It is staffed by 35 classified employees and 62 certified teaching personnel who provide services to 764 students and other community members. The School District currently operates two instructional buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New Bremen Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organization, three insurance pools, and one joint venture. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Ohio School Plan, Mercer-Auglaize Area Schools Employee Welfare Benefit Trust, Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan, and Tri-Star Career Compact. These organizations are presented in Notes 18, 19, and 20 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 BREMEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**B. Basis of Presentation**

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, the Building Fund, and the Classroom Facilities Fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

*Building Fund* – The building fund is used to account for the receipts and expenditures related to all special bond funds in the School District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Disbursements recorded here represent the costs of acquiring capital facilities including real property.

*Classroom Facilities Fund* – A fund provided to account for monies received and disbursed in connection with contracts entered into by the School District and the Ohio Facilities Construction Commission for the building and quipping of classroom facilities.

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

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.

**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 staff generated revenues for non-instructional activities and 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**E. Budgetary Process**

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

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

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

**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 2018, the School District invested in nonnegotiable certificates of deposit, commercial paper, negotiable certificates of deposit, a U.S. Treasury money market fund and STAR Ohio. Investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 was \$94,684, which included \$12,875, was 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 bonds. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**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:

Nonspendable - The nonspendable 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 reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are 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.

**L. Interfund Activity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

**N. Pension/Other Postemployment Benefits (OPEB)**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the School District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the School District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)**

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with GAAP. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than GAAP. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, 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.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - DEPOSITS AND INVESTMENTS (continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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.

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all School District deposits was \$3,094,957. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$2,921,315 of the School District's bank balance of \$3,192,654 was collateralized by pledged collateral held by a financial institution in the District's name as discussed below, while \$271,339 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2018, the School District had the following investments.

Investment type	Carrying Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 1,303,777	\$ 1,303,777	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	10,516,224	2,617,000	2,238,266	3,719,958	860,000	1,081,000
Commercial Paper	8,148,791	8,148,791	-	-	-	-
U.S. Treasury money market fund	<u>87,511</u>	<u>87,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 20,056,303</u></b>	<b><u>\$ 12,157,079</u></b>	<b><u>\$ 2,238,266</u></b>	<b><u>\$ 3,719,958</u></b>	<b><u>\$ 860,000</u></b>	<b><u>\$ 1,081,000</u></b>

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

The negotiable certificates of deposit are insured by FDIC or SIPC insurance. The U.S. Treasury money market fund was not rated. The commercial paper carries a rating of P-1 by Moody's and A-1+ and A-1 from Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds in eligible securities must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 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.

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

Investment type	Carrying Value	% of Total
STAR Ohio	\$ 1,303,777	6.50
Negotiable CD's	10,516,224	52.43
Commercial Paper	8,148,791	40.63
U.S. Treasury money market fund	<u>87,511</u>	<u>0.44</u>
<b>Total</b>	<b><u>\$ 20,056,303</u></b>	<b><u>100.00</u></b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,094,957
Investments	20,056,303
Cash on hand	<u>150</u>
Total	<u>\$ 23,151,410</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,067,825
Private-purpose trust fund	10,063
Agency funds	<u>73,522</u>
Total	<u>\$ 23,151,410</u>

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

The budget basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis presented for the general fund is prepared on the budget 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 that are treated as cash disbursements (budget basis) rather than as an assignment of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the budget basis statement to the cash basis statement for the general fund:

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Budget basis	\$ 1,139,143
Funds budgeted elsewhere	<u>10,088</u>
Cash basis	<u>\$ 1,149,231</u>

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, public schools and support fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 6 - INCOME TAXES**

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

**NOTE 7 - 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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, Mercer, 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, 2018, are available to finance fiscal year 2018 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 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real	\$ 111,855,450	97.34	\$ 119,014,030	97.40
Public utility	<u>3,057,920</u>	<u>2.66</u>	<u>3,180,050</u>	<u>2.60</u>
Total	<u>\$ 114,913,370</u>	<u>100.00</u>	<u>\$ 122,194,080</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	49.85		51.31	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - PAYMENT IN LIEU OF TAXES**

According to State law, the Village of New Bremen has entered into agreements with a number of property owners under which the Village has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the Village which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire. The School District recorded \$39,963 in payment in lieu of taxes during fiscal year 2018.

**NOTE 9 - INTERFUND ACTIVITY**

- A. Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 26,745
 <u>Transfers from nonmajor fund to:</u>	
Nonmajor governmental funds	<u>315,990</u>
 Total	 <u><u>\$ 342,735</u></u>

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

- B. Advances for fiscal year ended June 30, 2018, as reported on the fund statements, consist of the following:

<u>Advances from the General Fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 4,348</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 10 - 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 2018, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

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

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	38,876,394
Automobile Liability	1,000,000
Excess Liability	3,000,000

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

For fiscal year 2018, the School District participated in the Ohio School 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 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 Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - COMMITMENTS**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund cash 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>
Building Fund	\$ 439,533
Classroom Facilities Fund	<u>796,673</u>
Total	<u>\$ 1,236,206</u>

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$138,922 for fiscal year 2018.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT 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. For fiscal year 2018, plan members were required to contribute 14 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 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$566,944 for fiscal year 2018.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, 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</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03200110%	0.03597396%	
Proportion of the net pension liability current measurement date	<u>0.03096690%</u>	<u>0.03545516%</u>	
Change in proportionate share	<u>-0.00103420%</u>	<u>-0.00051880%</u>	
Proportionate share of the net pension liability	\$ 1,850,204	\$ 8,422,449	\$ 10,272,653

***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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u><u>100.00 %</u></u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$ 2,567,602	\$ 1,850,204	\$ 1,249,236

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 12,073,294	\$ 8,422,449	\$ 5,347,159

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB liability represents the School district’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the School district does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School district's surcharge obligation was \$16,491.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School district's contractually required contribution to SERS was \$21,636 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Net OPEB Liability*

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.03133040%	0.03545516%	
Proportion of the net OPEB liability current measurement date	<u>0.03133040%</u>	<u>0.03545516%</u>	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 840,826	\$ 1,383,330	\$ 2,224,156

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$ 1,015,404	\$ 840,826	\$ 702,515

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$ 682,267	\$ 840,826	\$ 1,050,681

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	<u>2.25</u>
 Total	 <u><u>100.00 %</u></u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$ 1,857,098	\$ 1,383,330	\$ 1,008,898

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 961,078	\$ 1,383,330	\$ 1,939,062

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**C. Separation Benefit**

The School District provides a separation benefit to eligible certified employees. A full-time employee who elects to retire within thirty days after the end of the school year in which they initially become eligible for retirement under the pension eligibility criteria will be paid \$15,000.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Balance Outstanding			Balance Outstanding	Amount Due in
	June 30, 2017	Additions	Deletions	June 30, 2018	One Year
<b>General Obligation Bonds:</b>					
2017 School Facilities Construction and Improvement Bonds	\$ -	\$ 14,365,000	\$ -	\$ 14,365,000	\$ 500,000
2015 School Improvement Refunding Serial Bonds	740,000	-	(740,000)	-	-
<b>Total</b>	<b>\$ 740,000</b>	<b>\$ 14,365,000</b>	<b>\$ (740,000)</b>	<b>\$ 14,365,000</b>	<b>\$ 500,000</b>

*Series 2015 Refunding General Obligation Bonds* - On April 7, 2015, the School District issued general obligation bonds (series 2015 refunding bonds) to refund the remaining series 2005 general obligation serial bonds in the amount of \$2,160,000. This refunded debt was considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The interest rates on the serial bonds was 0.96%. Principal and interest payments were made from the Bond Retirement fund. Interest payments on the current interest bonds were due on June 1 and December 1 of each year. The final maturity stated in the issue was December 1, 2017.

*Series 2017 School Facilities Construction and Improvement Bonds* - On September 20, 2017, the School District issued general obligation bonds in the amount of \$14,365,000 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. Interest rates on the serial and term bonds ranges from 2.00% to 4.00%. Principal and interest payments will be made from the Bond Retirement nonmajor governmental fund. Interest payments are due June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2047.

Principal and interest requirements to retire the outstanding debt obligations at June 30, 2018 are as follows:

Fiscal Year Ending	General Obligation Bonds			
	June 30,	Principal	Interest	Total
2019	\$ 500,000	\$ 559,544	\$ 1,059,544	
2020	150,000	553,044	703,044	
2021	160,000	549,944	709,944	
2022	170,000	545,794	715,794	
2023	200,000	540,244	740,244	
2024 - 2028	1,305,000	2,574,770	3,879,770	
2029 - 2033	1,905,000	2,254,420	4,159,420	
2034 - 2038	2,625,000	1,803,820	4,428,820	
2039 - 2042	3,320,000	1,226,397	4,546,397	
2044 - 2048	4,030,000	484,482	4,514,482	
<b>Total</b>	<b>\$ 14,365,000</b>	<b>\$ 11,092,459</b>	<b>\$ 25,457,459</b>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

*Legal Debt Margin* - Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 9% limitation, without obtaining the consent of the State Superintendent and the Tax Commissioner, when bond proceeds will be used exclusively to fund a school district's Commission-required local effort. Accordingly, the proceeds of the bonds will be used exclusively to fund the District's Commission-required local effort, and, as a result, are not subject to State consents/special needs approval.

**NOTE 16 - 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 2018.

Balance June 30, 2017	\$	-
Current year set-aside requirement		133,076
Current year qualifying expenditures		(269,817)
Current year offsets		<u>(71,109)</u>
Balance carried forward to fiscal year 2019	\$	<u>-</u>
Set-aside balance June 30, 2018	\$	<u>-</u>

**NOTE 17 - 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 \$63 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2018, the School District paid \$66,302 to WOCO for various services. Financial information can be obtained from the Western Ohio Computer Organization, 129 East Court Street, Sidney, Ohio 45365.

**B. Auglaize County Educational Academy**

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Wapakoneta, Ohio 45895.

**NOTE 19 - INSURANCE POOLS**

**A. Ohio School Plan**

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

**B. Mercer-Auglaize Area Schools Employee Welfare Benefit Trust**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 19 - INSURANCE POOLS - (Continued)**

The Mercer-Auglaize Area Schools Regional Council of Governments was established under Chapter 167 of the Ohio Revised Code. Effective April 23, 2018, the Governing Board of the Mercer-Auglaize Area Schools Regional Council of Governments voted to dissolve as a regional council of government and covert to a Trust.

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

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

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

**NOTE 20 - JOINT VENTURE**

***Tri-Star Career Compact***

The School District participates in the Tri-Star Career Compact (the "Compact"), a joint venture with eight other school districts. The eight participating school districts comprise a "qualifying partnership" as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Marys City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

In fiscal year 2016, the joint venture issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the "qualifying partnership". The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may incur excess costs for operations of the Compact.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 20 - JOINT VENTURE (Continued)**

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

**NOTE 21 - 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, 2018.

**B. Litigation**

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

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. The amount due to the School District at June 30, 2018 was \$899.

**NOTE 22 - CONTRACTUAL COMMITMENTS**

As of June 30, 2018, the School District had the following contractual commitments outstanding related to school improvement projects. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2018</u>	<u>Remaining Contract Amount</u>
Garmann-Miller	\$ 1,531,707	\$ 405,742	\$ 1,125,965
Motz Engineering	55,030	4,681	50,349
Resource International	<u>59,892</u>	<u>-</u>	<u>59,892</u>
Total	<u>\$ 1,646,629</u>	<u>\$ 410,423</u>	<u>\$ 1,236,206</u>

**This page intentionally left blank.**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The management's discussion and analysis of the New Bremen Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- The total net cash position of the District decreased \$142,013 or 2.13% from fiscal year 2016, as restated.
- General cash receipts accounted for \$8,514,031 or 83.60% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,670,106 or 16.40% of total governmental activities cash receipts.
- The District had \$10,326,150 in cash disbursements related to governmental activities; \$1,670,106 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The District's major funds are the general fund and bond retirement fund. The general fund had cash receipts of \$8,458,686 in 2017. The cash disbursements and other financing uses of the general fund totaled \$8,554,282 in 2017. The general fund's cash balance decreased \$95,596 or 1.77% from 2016 to 2017.

**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 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 District, presenting an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are two major governmental funds, the general fund and the bond retirement fund.

**Reporting the 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 2017?" 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.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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 67-68 of this report.

### **Reporting the 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 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 District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund. The analysis of the District's major governmental fund begins on page 63.

#### ***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 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 District programs. Since the 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 69-70 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 71 of this report.

#### ***Fiduciary Funds***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the 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 72-73. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the 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 75-102 of this report.

**Government-Wide Financial Analysis**

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

The table below provides a summary of the District's net cash position at June 30, 2017 and June 30, 2016, as restated.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2017</u>	Restated Governmental Activities <u>2016</u>
<b><u>Assets</u></b>		
Equity in pooled cash and investments	\$ 6,511,659	\$ 6,653,672
Total assets	<u>6,511,659</u>	<u>6,653,672</u>
<b><u>Net cash position</u></b>		
Restricted	1,201,996	1,232,233
Unrestricted	<u>5,309,663</u>	<u>5,421,439</u>
Total net cash position	<u>\$ 6,511,659</u>	<u>\$ 6,653,672</u>

The total net cash position of the District decreased \$142,013 which represents a 2.13% decrease from fiscal year 2016. The balance of government-wide unrestricted net cash position of \$5,309,663 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The table below shows the changes in net cash position for fiscal years 2017 and 2016.

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Cash receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 960,849	\$ 876,714
Operating grants and contributions	708,534	819,739
Capital grants and contributions	723	62,536
General cash receipts:		
Property taxes	2,951,106	2,921,847
Income taxes	1,580,620	1,526,910
Grants and entitlements	3,812,193	4,005,933
Investment earnings	72,402	74,949
Payments in Lieu of Taxes	39,963	39,963
Miscellaneous	<u>57,747</u>	<u>39,207</u>
Total cash receipts	<u>10,184,137</u>	<u>10,367,798</u>
<b><u>Cash disbursements</u></b>		
Program disbursements:		
Instruction:		
Regular	\$ 4,595,708	\$ 4,340,915
Special	934,172	836,899
Vocational	111,316	156,543
Other	21,732	25,638
Support services:		
Pupil	606,536	649,273
Instructional staff	289,299	272,697
Board of education	54,084	71,187
Administration	772,365	763,002
Fiscal	219,040	195,452
Operations and maintenance	883,154	884,889
Pupil transportation	209,999	192,081
Central	80,943	91,455
Food service operations	264,819	265,083
Extracurricular activities	506,123	473,232
Facilities acquisition and construction	31,228	176,315
Principal retirement	735,000	685,000
Interest and fiscal charges	<u>10,632</u>	<u>20,558</u>
Total cash disbursements	<u>10,326,150</u>	<u>10,100,219</u>
Change in net cash position	(142,013)	267,579
Net cash position at beginning of year	<u>6,653,672</u>	<u>6,386,093</u>
Net cash position at end of year	<u>\$ 6,511,659</u>	<u>\$ 6,653,672</u>



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

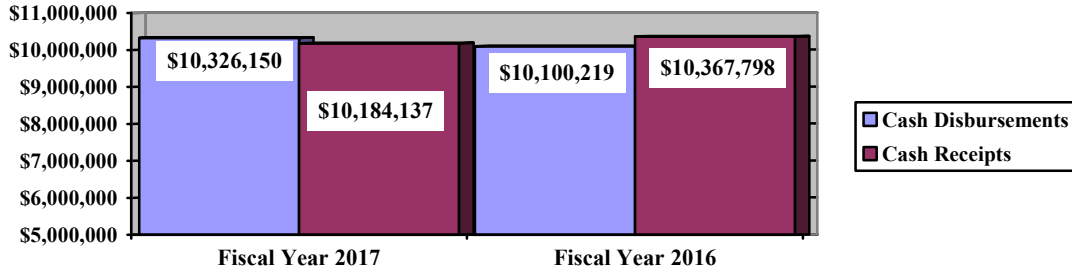
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Governmental Activities**

Governmental net cash position decreased \$142,013 in 2017 from 2016. Total governmental disbursements of \$10,326,150 were offset by program receipts of \$1,670,106 and general receipts of \$8,514,031. Program receipts supported 16.17% of the total governmental disbursements. The largest governmental disbursement was instructional expenditures which totaled \$5,662,928.

The primary sources of receipts for governmental activities are derived from taxes and unrestricted grants and entitlements. These receipt sources represent 82.32% of total governmental receipts. Real estate property is reappraised every six years.

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



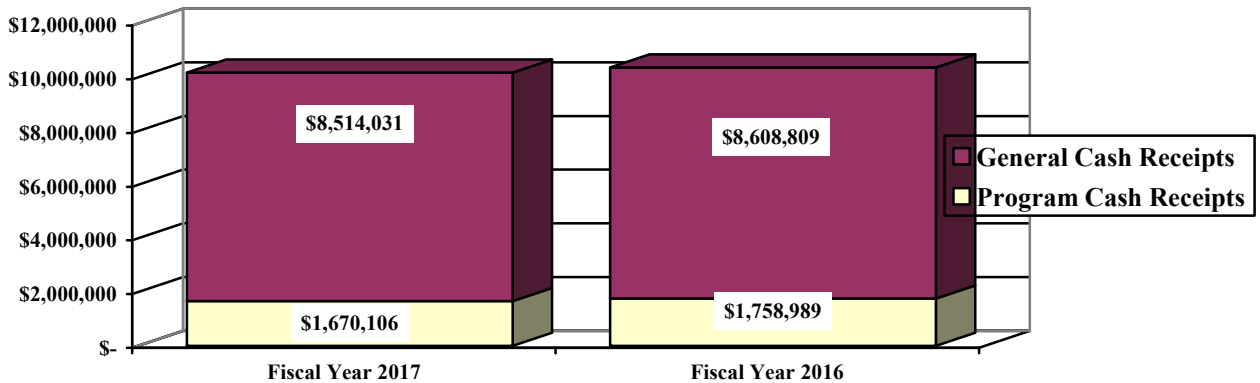
**NEW BREMEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	\$ 4,595,708	\$ 3,934,936	\$ 4,340,915	\$ 3,662,813
Special	934,172	475,860	836,899	367,066
Vocational	111,316	71,352	156,543	120,332
Other	21,732	21,732	25,638	25,638
Support services:				
Pupil	606,536	606,536	649,273	649,273
Instructional staff	289,299	289,299	272,697	272,697
Board of education	54,084	54,084	71,187	71,187
Administration	772,365	772,293	763,002	763,001
Fiscal	219,040	218,996	195,452	195,045
Operations and maintenance	883,154	873,727	884,889	862,861
Pupil transportation	209,999	186,974	192,081	166,661
Central	80,943	80,943	91,455	91,455
Operation of non instructional services:				
Food service operations	264,819	22,356	265,083	17,757
Extracurricular	506,123	271,137	473,232	249,219
Facilities acquisition and construction	31,228	30,187	176,315	120,667
Debt service:				
Principal retirement	735,000	735,000	685,000	685,000
Interest and fiscal charges	<u>10,632</u>	<u>10,632</u>	<u>20,558</u>	<u>20,558</u>
<b>Total</b>	<u>\$ 10,326,150</u>	<u>\$ 8,656,044</u>	<u>\$ 10,100,219</u>	<u>\$ 8,341,230</u>

As the preceding table shows, the dependence upon general cash receipts for governmental activities is apparent; with only 16.17% of cash disbursements supported through program cash receipts during 2017.

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

**Governmental Funds**

The District's governmental funds reported a combined fund cash balance of \$6,511,659, which is \$142,013 less than last year's total of \$6,653,672. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2017</u>	Restated Fund Cash Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>
General fund	\$ 5,309,663	\$ 5,405,259	\$ (95,596)
Bond retirement fund	759,327	712,147	47,180
Other nonmajor governmental funds	<u>442,669</u>	<u>536,266</u>	<u>(93,597)</u>
Total	<u>\$ 6,511,659</u>	<u>\$ 6,653,672</u>	<u>\$ (142,013)</u>

**General Fund**

The District's largest major fund is the general fund. The general fund had cash receipts of \$8,458,686 in 2017. The cash disbursements and other financing uses of the general fund totaled \$8,554,282 in 2017. The general fund's cash balance decreased \$95,596 or 1.77% from 2016 to 2017.

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

	<u>2017</u> <u>Amount</u>	Restated <u>2016</u> <u>Amount</u>	Percentage <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 3,845,617	\$ 3,767,670	2.07 %
Tuition	459,343	370,945	23.83 %
Transportation Fees	14,022	15,916	(11.90) %
Payment in lieu of taxes	39,963	39,963	- %
Earnings on investments	72,402	74,949	(3.40) %
Extracurricular	33,132	28,306	17.05 %
Classroom Materials and Fees	41,538	41,569	(0.07) %
Rental Income	9,372	14,693	(36.21) %
Contributions and Donations	53,841	33,984	58.43 %
Other revenues	3,906	5,223	(25.22) %
Intergovernmental	<u>3,885,550</u>	<u>4,083,606</u>	(4.85) %
Total	<u>\$ 8,458,686</u>	<u>\$ 8,476,824</u>	(0.21) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Overall, general fund cash receipts remained consistent with prior year, with a decrease of 0.21%.

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

	2017	Restated 2016	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 5,128,615	\$ 4,986,076	2.86
Support services	3,101,711	3,084,936	0.54
Extracurricular activities	<u>297,740</u>	<u>279,207</u>	6.64
Total	<u>\$ 8,528,066</u>	<u>\$ 8,350,219</u>	2.13

Overall, there was a slight increase in disbursements of \$177,847 or 2.13%. Extracurricular disbursements increased by 6.64% primarily due to sports oriented activities. All other disbursements remained comparable to 2016.

***Budgeting Highlights - General Fund***

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

For the general fund, final budgetary basis receipts and other financing sources of \$8,300,881 were the same as the original budget estimates and other financing sources. Actual cash receipts and other financing sources of \$8,438,067 were higher than final budget estimates and other financing sources by \$137,186.

The final and original budgetary basis disbursements were \$8,917,269. The actual budgetary basis disbursements of \$8,545,674 were \$371,595 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$31,228 during fiscal year 2017.

***Debt Administration***

At June 30, 2017, the District had \$740,000 in refunding school improvement bonds outstanding, all of which is due within one year. The following table summarizes the obligations outstanding.

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
Refunding School Improvement Bonds	<u>\$ 740,000</u>	<u>\$ 1,475,000</u>
Total long-term obligations	<u>\$ 740,000</u>	<u>\$ 1,475,000</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Refer to Note 15 to the basic financial statements for further detail.

**Current Financial Related Activities**

District voters renewed a 5 year, 1 mill permanent improvement levy in May, 2017.

The District welcomed a new Superintendent, Dr. Andrea Townsend, on July 1, 2017, following the retirement of Howard Overman.

The Board of Education will also have a least one new member following the November, 2017 election, as long term Board Member, Kami Fox, has decided not to seek re-election.

The Board of Education has selected the architect firm of Garmann/Miller & Associates to begin pre-bond work for a building issue which was passed on the May, 2017 ballot. This follows two building levy defeats over the past several years.

**Contacting the District's Financial Management**

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . .	\$ 6,511,659
 <b>Net position:</b>	
Restricted for:	
Capital projects . . . . .	226,141
Debt service. . . . .	759,327
Locally funded programs . . . . .	124,901
Student activities . . . . .	72,696
Other purposes . . . . .	18,931
Unrestricted . . . . .	5,309,663
Total net position. . . . .	\$ 6,511,659

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Cash Disbursements</b>	<b>Program Revenues</b>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,595,708	\$ 501,173	\$ 159,373	\$ 226	\$ (3,934,936)
Special . . . . .	934,172	-	458,312	-	(475,860)
Vocational . . . . .	111,316	-	39,964	-	(71,352)
Other . . . . .	21,732	-	-	-	(21,732)
Support services:					
Pupil . . . . .	606,536	-	-	-	(606,536)
Instructional staff . . . . .	289,299	-	-	-	(289,299)
Board of education . . . . .	54,084	-	-	-	(54,084)
Administration . . . . .	772,365	-	72	-	(772,293)
Fiscal . . . . .	219,040	25	-	19	(218,996)
Operations and maintenance . . . . .	883,154	9,403	-	24	(873,727)
Pupil transportation . . . . .	209,999	14,022	9,003	-	(186,974)
Central . . . . .	80,943	-	-	-	(80,943)
Operation of non-instructional services:					
Food service operations . . . . .	264,819	200,897	41,566	-	(22,356)
Extracurricular activities . . . . .	506,123	234,742	244	-	(271,137)
Principal retirement . . . . .	735,000	-	-	-	(735,000)
Facilities acquisition and construction . . . . .	31,228	587	-	454	(30,187)
Interest and fiscal charges . . . . .	10,632	-	-	-	(10,632)
<b>Total governmental activities . . . . .</b>	<b>\$ 10,326,150</b>	<b>\$ 960,849</b>	<b>\$ 708,534</b>	<b>\$ 723</b>	<b>(8,656,044)</b>

**General cash receipts:**

Property taxes levied for:	
General purposes . . . . .	2,264,997
Debt service . . . . .	610,334
Capital outlay . . . . .	75,775
Payments in lieu of taxes . . . . .	39,963
Income taxes levied for:	
General purposes . . . . .	1,580,620
Grants and entitlements not restricted to specific programs . . . . .	3,812,193
Investment earnings . . . . .	72,402
Miscellaneous . . . . .	57,747
<b>Total general cash receipts . . . . .</b>	<b>8,514,031</b>
Change in net position . . . . .	(142,013)
<b>Net position at beginning of year (restated) . . . . .</b>	<b>6,653,672</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 6,511,659</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<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 investments . . . . .	\$ 5,309,663	\$ 759,327	\$ 442,669	\$ 6,511,659
Total assets . . . . .	<u>\$ 5,309,663</u>	<u>\$ 759,327</u>	<u>\$ 442,669</u>	<u>\$ 6,511,659</u>
<b>Fund balances:</b>				
Restricted:				
Debt service . . . . .	\$ -	\$ 759,327	\$ -	\$ 759,327
Capital improvements . . . . .	-	-	226,141	226,141
Food service operations . . . . .	-	-	18,931	18,931
Other purposes. . . . .	-	-	124,901	124,901
Extracurricular. . . . .	-	-	72,696	72,696
Assigned:				
Student and staff support. . . . .	9,505	-	-	9,505
School supplies . . . . .	63,916	-	-	63,916
Unassigned (deficit) . . . . .	5,236,242	-	-	5,236,242
Total fund balances . . . . .	<u>\$ 5,309,663</u>	<u>\$ 759,327</u>	<u>\$ 442,669</u>	<u>\$ 6,511,659</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<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 . . . . .	\$ 2,264,997	\$ 610,334	\$ 75,775	\$ 2,951,106
Income taxes . . . . .	1,580,620	-	-	1,580,620
Payment in lieu of taxes . . . . .	39,963	-	-	39,963
Tuition . . . . .	459,343	-	-	459,343
Transportation fees . . . . .	14,022	-	-	14,022
Earnings on investments . . . . .	72,402	-	1,007	73,409
Charges for services . . . . .	-	-	200,897	200,897
Extracurricular . . . . .	33,132	-	201,610	234,742
Classroom materials and fees . . . . .	41,538	-	-	41,538
Rental income . . . . .	9,372	-	935	10,307
Contributions and donations . . . . .	53,841	-	128,967	182,808
Other local revenues . . . . .	3,906	-	-	3,906
Intergovernmental - state . . . . .	3,835,805	193,142	17,976	4,046,923
Intergovernmental - federal . . . . .	49,745	-	294,808	344,553
<b>Total receipts . . . . .</b>	<b>8,458,686</b>	<b>803,476</b>	<b>921,975</b>	<b>10,184,137</b>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	4,292,457	-	303,251	4,595,708
Special . . . . .	707,306	-	226,866	934,172
Vocational . . . . .	107,120	-	4,196	111,316
Other . . . . .	21,732	-	-	21,732
Support services:				
Pupil . . . . .	606,536	-	-	606,536
Instructional staff . . . . .	289,299	-	-	289,299
Board of education . . . . .	54,084	-	-	54,084
Administration . . . . .	772,293	-	72	772,365
Fiscal . . . . .	207,064	10,664	1,312	219,040
Operations and maintenance . . . . .	881,493	-	1,661	883,154
Pupil transportation . . . . .	209,999	-	-	209,999
Central . . . . .	80,943	-	-	80,943
Operation of non-instructional services:				
Food service operations . . . . .	-	-	264,819	264,819
Extracurricular activities . . . . .	297,740	-	208,383	506,123
Facilities acquisition and construction . . . . .	-	-	31,228	31,228
Debt service:				
Principal retirement . . . . .	-	735,000	-	735,000
Interest and fiscal charges . . . . .	-	10,632	-	10,632
<b>Total disbursements . . . . .</b>	<b>8,528,066</b>	<b>756,296</b>	<b>1,041,788</b>	<b>10,326,150</b>
Excess (deficiency) of receipts over (under) disbursements . . . . .	(69,380)	47,180	(119,813)	(142,013)
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	26,216	26,216
Transfers (out) . . . . .	(26,216)	-	-	(26,216)
<b>Total other financing sources (uses) . . . . .</b>	<b>(26,216)</b>	<b>-</b>	<b>26,216</b>	<b>-</b>
Net change in fund balances . . . . .	(95,596)	47,180	(93,597)	(142,013)
<b>Fund balances at beginning of year (restated) . . . . .</b>	<b>5,405,259</b>	<b>712,147</b>	<b>536,266</b>	<b>6,653,672</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 5,309,663</b>	<b>\$ 759,327</b>	<b>\$ 442,669</b>	<b>\$ 6,511,659</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<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 . . . . .	\$ 1,957,529	\$ 1,957,529	\$ 2,264,997	\$ 307,468
Income taxes. . . . .	1,578,425	1,578,425	1,580,620	2,195
Payment in lieu of taxes. . . . .	39,963	39,963	39,963	-
Tuition. . . . .	398,000	398,000	459,343	61,343
Transportation fees. . . . .	16,000	16,000	14,022	(1,978)
Earnings on investments . . . . .	75,000	75,000	72,402	(2,598)
Rental income . . . . .	15,000	15,000	9,372	(5,628)
Contributions and donations . . . . .	6,700	6,700	53,841	47,141
Other local revenues . . . . .	5,000	5,000	3,906	(1,094)
Intergovernmental - state . . . . .	4,163,264	4,163,264	3,835,805	(327,459)
Intergovernmental - federal . . . . .	16,000	16,000	38,142	22,142
<b>Total receipts . . . . .</b>	<u>8,270,881</u>	<u>8,270,881</u>	<u>8,372,413</u>	<u>101,532</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	4,575,875	4,418,551	4,312,572	105,979
Special. . . . .	663,396	741,141	707,306	33,835
Vocational. . . . .	133,220	130,405	107,120	23,285
Other. . . . .	30,027	22,844	21,732	1,112
Support services:				
Pupil. . . . .	532,479	625,945	606,536	19,409
Instructional staff . . . . .	373,376	371,311	289,299	82,012
Board of education . . . . .	66,059	66,013	58,084	7,929
Administration. . . . .	782,403	782,210	772,293	9,917
Fiscal . . . . .	220,799	220,642	207,064	13,578
Operations and maintenance. . . . .	929,454	918,244	881,493	36,751
Pupil transportation . . . . .	212,241	216,591	209,999	6,592
Central. . . . .	100,791	100,119	80,943	19,176
Extracurricular activities. . . . .	277,149	276,953	265,017	11,936
<b>Total disbursements . . . . .</b>	<u>8,897,269</u>	<u>8,890,969</u>	<u>8,519,458</u>	<u>371,511</u>
Excess (deficiency) of receipts over (under) disbursements. . . . .	<u>(626,388)</u>	<u>(620,088)</u>	<u>(147,045)</u>	<u>473,043</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	30,000	30,000	65,654	35,654
Transfers (out). . . . .	(20,000)	(26,300)	(26,216)	84
<b>Total other financing sources (uses) . . . . .</b>	<u>10,000</u>	<u>3,700</u>	<u>39,438</u>	<u>35,738</u>
Net change in fund balance . . . . .	(616,388)	(616,388)	(107,607)	508,781
<b>Fund balance at beginning of year . . . . .</b>	5,332,381	5,332,381	5,332,381	-
<b>Prior year encumbrances appropriated . . . . .</b>	7,468	7,468	7,468	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,723,461</u>	<u>\$ 4,723,461</u>	<u>\$ 5,232,242</u>	<u>\$ 508,781</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION- CASH BASIS  
JUNE 30, 2017

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 10,038	\$ 56,215
Total assets. . . . .	10,038	\$ 56,215
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 56,215
Total liabilities. . . . .	-	\$ 56,215
<b>Net position:</b>		
Held in trust for scholarships . . . . .	10,038	
Total net position. . . . .	\$ 10,038	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 66
<b>Deductions:</b>	
Scholarships awarded . . . . .	50
Change in net position . . . . .	16
<b>Net position at beginning of year. . . . .</b>	<b>10,022</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 10,038</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

New Bremen Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District serves an area of approximately thirty-six square miles. It is located in Auglaize, Mercer, and Shelby Counties. It is staffed by 37 classified employees, 57 certified teaching personnel, and seven administrative employees who provide services to 745 students and other community members. The School District currently operates two instructional buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New Bremen Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organizations, one joint venture and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, Tri Star, Ohio School Plan, Mercer-Auglaize Area Schools Regional Council of Governments, and the Cincinnati Regional Chamber of Commerce Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18, 19 and 21 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 BREMEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**B. Basis of Presentation**

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

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund and Bond Retirement Fund:

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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.

*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 staff generated revenues for non-instructional activities and 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 summary of levy funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The summary of levy funds provides the County Budget Commission information on the estimated receipts and disbursements for those funds that receive property tax receipts. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Budgetary allocations at the function level for the General Fund and the function and object level for all other funds are made by the School District Treasurer.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

**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 2017, the School District invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, a U.S. Treasury money market fund and STAR Ohio. Investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 was \$72,402, which included \$13,910, was 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**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 bonds. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**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:

Nonspendable - The nonspendable 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 reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

**L. Interfund Activity**

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

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

Exchange transactions between funds are reported as 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. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

**N. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with GAAP. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than GAAP. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Change in Basis of Accounting and Restatement of Prior Year Fund Balances and Net Position**

Ohio Administrative Code, Section 117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year ending June 30, 2017, the District changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.D), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District has elected to present the cash-basis financial statements in a format consistent with GASB Statement No. 34. Fund balances and net position at June 30, 2016 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on fund balances at June 30, 2016:

	Governmental Funds			
	General	Bond Retirement	Other Governmental	Total Governmental
Fund balance at June 30, 2016	\$ 5,668,271	\$ 868,786	\$ 455,325	\$ 6,992,382
Restatement due to change in reporting basis adjustments	<u>(263,012)</u>	<u>(156,639)</u>	<u>80,941</u>	<u>(338,710)</u>
Restated fund cash balance at June 30, 2016	<u>\$ 5,405,259</u>	<u>\$ 712,147</u>	<u>\$ 536,266</u>	<u>\$ 6,653,672</u>

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on net position at June 30, 2016:

	Governmental Activities
Net position at June 30, 2016	\$ 5,485,333
Restatement due to change in reporting basis adjustments	<u>1,168,339</u>
Restated net cash position at June 30, 2016	<u>\$ 6,653,672</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Inactive deposits are public deposits 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 held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments

As of June 30, 2017, the School District had the following investments.

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,284,983	\$ 1,284,983	\$ -	\$ -	\$ -	\$ -
Negotiable CDs	4,003,000	1,793,000	1,317,000	400,000	248,000	245,000
U.S. Treasury money market fund	290,264	290,264	-	-	-	-
<b>Total</b>	<b>\$ 5,578,247</b>	<b>\$ 3,368,247</b>	<b>\$ 1,317,000</b>	<b>\$ 400,000</b>	<b>\$ 248,000</b>	<b>\$ 245,000</b>

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

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

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 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.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,284,983	23.04
Negotiable CD's	4,003,000	71.76
U.S. Treasury money market fund	290,264	5.20
<b>Total</b>	<b>\$ 5,578,247</b>	<b>100.00</b>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 999,515
Investments	5,578,247
Cash on hand	<u>150</u>
Total	<u>\$ 6,577,912</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,511,659
Private-purpose trust fund	10,038
Agency funds	<u>56,215</u>
Total	<u>\$ 6,577,912</u>

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

The budget basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis presented for the general fund is prepared on the budget 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 that are treated as cash disbursements (budget basis) rather than as an assignment of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the budget basis statement to the cash basis statement for the general fund:

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Budget basis	\$ (107,607)
Funds budgeted elsewhere	8,011
Adjustment for encumbrances	<u>4,000</u>
Cash basis	<u>\$ (95,596)</u>

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 public schools support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6 - INCOME TAXES**

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

**NOTE 7 - 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, Mercer, 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, 2017, are available to finance fiscal year 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real	\$ 110,998,520	97.46	\$ 111,855,450	97.34
Public utility	<u>2,887,520</u>	<u>2.54</u>	<u>3,057,920</u>	<u>2.66</u>
Total	<u>\$ 113,886,040</u>	<u>100.00</u>	<u>\$ 114,913,370</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.85		\$49.85	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8 - PAYMENT IN LIEU OF TAXES**

According to State law, the Village of New Bremen has entered into agreements with a number of property owners under which the Village has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the Village which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire. The School District recorded \$39,963 in payment in lieu of taxes during fiscal year 2017.

**NOTE 9 - INTERFUND ACTIVITY**

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 26,216

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

**NOTE 10 - 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 2017, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

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

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	38,076,696
Automobile Liability	1,000,000
Excess Liability	3,000,000

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

For fiscal year 2017, the School District participated in the Ohio School 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 10 - RISK MANAGEMENT - (Continued)**

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

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

**NOTE 11 - COMMITMENTS**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund cash 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 fund	\$ 4,000
Other governmental	<u>1,800</u>
Total	<u>\$ 5,800</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - PENSION PLANS**

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

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

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

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

Plan Description - The 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - PENSION PLANS - (Continued)**

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.

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, 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 District's contractually required contribution to SERS was \$141,420 for fiscal year 2017.

***Plan Description - State Teachers Retirement System (STRS)***

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$553,083 for fiscal year 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 12 - PENSION PLANS - (Continued)**

*Net Pension Liability*

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03231570%	0.03518899%	
Proportion of the net pension liability current measurement date	<u>0.03200110%</u>	<u>0.03597396%</u>	
Change in proportionate share	<u>-0.00031460%</u>	<u>0.00078497%</u>	
Proportionate share of the net pension liability	\$ 2,342,185	\$ 12,041,569	\$ 14,383,754

*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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 - PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 12 - PENSION PLANS - (Continued)**

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 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 3,100,907	\$ 2,342,185	\$ 1,707,103

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 12 - PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

The total pension liability in the June 30, 2016, 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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 12 - PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 16,002,266	\$ 12,041,569	\$ 8,700,487

**Changes Between Measurement Date and Report Date** - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2017, 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 2017, this amount was \$23,500. 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 District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$15,950, \$15,950, and \$24,946, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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

Plan Description - The 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

The School District offers medical and dental insurance to most employees through the Mercer Auglaize Area Schools Regional Council of Governments. In addition, the School District offers life insurance through American United Life Insurance Company.

**C. Separation Benefit**

The School District provides a separation benefit to eligible certified employees. A full-time employee who elects to retire within thirty days after the end of the school year in which they initially become eligible for retirement under the pension eligibility criteria will be paid \$15,000.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Balance Outstanding June 30, 2016	Additions	Deletions	Balance Outstanding June 30, 2017	Amount Due in One Year
2015 School Improvement Refunding Serial Bonds	\$ 1,475,000	\$ -	\$ (735,000)	\$ 740,000	\$ 740,000

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, were as follows:

<u>Fiscal Year</u>	General Obligation Bonds		
	Serial		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 740,000	\$ 3,552	\$ 743,552
Total	\$ 740,000	\$ 3,552	\$ 743,552

Legal Debt Margin - The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$10,361,530 (including available funds of \$759,327) and an unvoted debt margin of \$114,913.

**NOTE 16 - 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 2017.

Balance June 30, 2016	\$	-
Current year set-aside requirement		133,984
Current year qualifying expenditures		(134,261)
Current year offsets		(85,493)
Balance carried forward to fiscal year 2018	\$	-
Set-aside balance June 30, 2017	\$	-

**NOTE 17 - 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 \$38 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2017, the School District paid \$63,740 to WOCO for various services. Financial information can be obtained from the Western Ohio Computer Organization, 129 East Court Street, Sidney, Ohio 45365.

**B. Auglaize County Educational Academy**

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Wapakoneta, Ohio, 45895.

**NOTE 19 - INSURANCE POOLS**

**A. Ohio School Plan**

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

**B. Mercer-Auglaize Area Schools Employee Welfare Benefit Trust**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 19 - INSURANCE POOLS - (Continued)**

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

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

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

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. Litigation**

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

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. The amount due to the School District at June 30, 2017 was \$1,055.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 21 - JOINT VENTURE**

*Tri-Star Career Compact*

The School District participates in the Tri-Star Career Compact (the “Compact”), a joint venture with eight other school districts. The eight participating school districts comprise a “qualifying partnership” as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Marys City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

In fiscal year 2016, the joint venture issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the “qualifying partnership”. The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may incur excess costs for operations of the Compact.

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, Ohio (the School District) as of and for the years ended June 30, 2018 and 2017, 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 March 11, 2019, 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 2018-001.

***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 subject the School District's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

March 11, 2019

NEW BREMEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2018 AND 2017

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

FINDING NUMBER 2018-001

**Noncompliance – Failure to File GAAP**

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

**Ohio Admin. Code § 117-2-03(B)** requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2018 and 2017 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed 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 did not file GAAP statements in fiscal year 2018 and 2017.

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the School District's financial condition.

**Official's Response:**

New Bremen Local School District has determined the time and financial resources to convert the reports to GAAP reporting has no offsetting benefit to the District.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**NEW BREMEN LOCAL SCHOOL DISTRICT**

**AUGLAIZE COUNTY**

### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2019**