



**Auditor of State
Betty Montgomery**

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the New Bremen Local School District (the "District") as of and for the fiscal years ended June 30, 2004 and 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to file annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2004 and 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, during the year ended June 30, 2003, the School District changed its method of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 3, 2004

**NEW BREMEN LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$2,440,139		\$712,934	\$83,927	\$3,237,000
Tuition	15,443				15,443
Intergovernmental	3,540,514	233,659	71,302	10,130	3,855,605
Interest	31,104	431	772	673	33,166
Extracurricular Activities		205,198			205,198
Transportation Fees	10,396				10,396
Classroom Materials & Fees	13,655				13,655
Miscellaneous	42,272	51,365		2,388	96,025
Total Revenues	6,093,523	490,653	785,008	97,118	7,466,488
Expenditures:					
Current:					
Instruction:					
Regular	3,511,963	55,867			3,567,830
Special	145,247	166,142			311,389
Vocational	230,349			2,779	233,128
Other	61,670				61,670
Support Services:					
Pupils	426,745	6,357			433,102
Instruction	324,844				324,844
Board of Education	38,421	5,412			43,833
Administration	690,879	563			691,442
Fiscal	140,351	352	14,987	1,769	157,459
Operation and Maintenance	792,707			35,507	828,214
Transportation	118,851				118,851
Central Services	41,998				41,998
Non-Instructional Services					400
Extracurricular Activities	166,003	258,276			424,279
Debt Service:			784,048		784,048
Total Expenditures	6,690,028	492,969	799,035	40,055	8,022,487
Excess (Deficiency) of Revenues Over (Under) Expenditures	(596,505)	(2,316)	(14,027)	57,063	(214)
Other Financing Sources (Uses):					
Sale and Loss of Assets	1,372				1,372
Refund of Prior Year Expenditures	5,029				5,029
Operating Transfers In	135,360	3,600		3,783	142,743
Operating Transfers Out	(147,143)	(3,654)			(150,797)
Total Other Financing Sources (Uses)	(5,382)	(54)		3,783	(1,653)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(601,887)	(2,370)	(14,027)	60,846	(214)
Fund Balances (Deficits) at Beginning of Year	2,474,050	55,270	257,474	35,352	10,650
Fund Balances (Deficits) at End of Year	\$1,872,163	\$52,900	\$243,447	\$96,198	\$10,436

The accompanying notes are an integral part of the financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Revenues:			
Food Services	\$222,087		\$222,087
Extracurricular Activities		68,653	68,653
Classroom Material & Fees	42,440		42,440
Total Operating Revenue	<u>264,527</u>	<u>68,653</u>	<u>333,180</u>
Operating Expenses:			
Salaries	103,896		103,896
Retirement & Insurances	77,697		77,697
Purchased Services	11,286		11,286
Materials and Supplies	113,862	549	114,411
Capital Outlay	507		507
Other Objects		82,064	82,064
Total Operating Expenses	<u>307,248</u>	<u>82,613</u>	<u>389,861</u>
Operating (Loss)	<u>(42,721)</u>	<u>(13,960)</u>	<u>(56,681)</u>
Non-Operating Revenues:			
Interest	94	375	469
Federal and State Subsidies	43,366		43,366
Total Non-Operating Revenues	<u>43,460</u>	<u>375</u>	<u>43,835</u>
Net Income (Loss) Before Transfers	739	(13,585)	(12,846)
Interfund transfers:			
Operating Transfers In	8,000	54	8,054
Net Income (Loss)	8,739	(13,531)	(4,792)
Fund Balance at Beginning of Year	<u>32,741</u>	<u>36,157</u>	<u>68,898</u>
Fund Balance at End of Year	<u><u>\$41,480</u></u>	<u><u>\$22,626</u></u>	<u><u>\$64,106</u></u>

The accompanying notes are an integral part of the financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$6,440,300	\$6,235,284	(\$205,016)
Special Revenue Funds	531,554	494,253	(37,301)
Debt Service Funds	779,134	785,008	5,874
Capital Project Funds	111,600	100,901	(10,699)
Proprietary:			
Enterprise Funds	318,300	315,987	(2,313)
Fiduciary:			
Trust Funds	300	186	(114)
Total (Memorandum Only)	<u>\$8,181,188</u>	<u>\$7,931,619</u>	<u>(\$249,569)</u>

The notes to the financial statements are an integral part of this statement.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total
Governmental:			
General Fund	\$50	\$7,086,837	\$7,086,887
Special Revenue Funds	1,200	537,991	539,191
Debt Service Funds		802,148	802,148
Capital Project Funds		137,850	137,850
Proprietary:			
Enterprise Funds		318,326	318,326
Fiduciary Funds:			
Trust Funds		400	400
Total (Memorandum Only)	<u>\$1,250</u>	<u>\$8,883,552</u>	<u>\$8,884,802</u>

The notes to the financial statements are an integral part of this statement.

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/04</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$6,837,171	\$1,183	\$6,838,354	\$248,533
496,623	1,705	498,328	40,863
799,035		799,035	3,113
40,055		40,055	97,795
307,248		307,248	11,078
400		400	
<u>\$8,480,532</u>	<u>\$2,888</u>	<u>\$8,483,420</u>	<u>\$401,382</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$2,689,466		\$756,713	\$89,251		\$3,535,430
Tuition	11,954					11,954
Intergovernmental	3,420,104	232,656	68,574	76,461		3,797,795
Interest	54,899	732		862	276	56,769
Extracurricular Activities		183,207				183,207
Transportation Fees	10,367					10,367
Classroom Materials & Fees	12,860					12,860
Miscellaneous	35,733	48,244		37,485		121,462
Total Revenues	6,235,383	464,839	825,287	204,059	276	7,729,844
Expenditures:						
Current:						
Instruction:						
Regular	3,570,518	48,403		24,569		3,643,490
Special	129,084	171,435				300,519
Vocational	227,302					227,302
Other	61,924					61,924
Support Services:						
Pupils	365,083	6,540				371,623
Instruction	265,505					265,505
Board of Education	46,645	4,608				51,253
Administration	648,461	1,098				649,559
Fiscal	150,129	342	16,283	1,920		168,674
Operation and Maintenance	750,062			109,081		859,143
Transportation	126,077					126,077
Central Services	37,584					37,584
Non-Instructional Services		871			600	1,471
Extracurricular Activities	160,847	206,687				367,534
Capital Outlay				323,200		323,200
Debt Service:			762,348			762,348
Total Expenditures	6,539,221	439,984	778,631	458,770	600	8,217,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,838)	24,855	46,656	(254,711)	(324)	(487,362)
Other Financing Sources (Uses):						
Sale and Loss of Assets	7,619					7,619
Refund of Prior Year Expenditures	8,817	692				9,509
Refund of Prior Year Receipts		(146)				(146)
Operating Transfers In	188,041			5,231		193,272
Operating Transfers Out	(213,273)	(54)				(213,327)
Total Other Financing Sources (Uses)	(8,796)	492		5,231		(3,073)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(312,634)	25,347	46,656	(249,480)	(324)	(490,435)
Fund Balances at Beginning of Year, Restated	2,786,684	29,923	210,818	284,832	10,974	3,323,231
Fund Balances (Deficits) at End of Year	<u>\$2,474,050</u>	<u>\$55,270</u>	<u>\$257,474</u>	<u>\$35,352</u>	<u>\$10,650</u>	<u>\$2,832,796</u>

The accompanying notes are an integral part of the financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Revenues:			
Food Services	\$218,711		\$218,711
Extracurricular Activities		77,075	77,075
Classroom Material & Fees	46,153		46,153
Total Operating Revenue	<u>264,864</u>	<u>77,075</u>	<u>341,939</u>
Operating Expenses:			
Salaries	101,706		101,706
Retirement & Insurances	78,694		78,694
Purchased Services	15,091		15,091
Materials and Supplies	134,766	115	134,881
Other Objects		86,141	86,141
Total Operating Expenses	<u>330,257</u>	<u>86,256</u>	<u>416,513</u>
Operating (Loss)	<u>(65,393)</u>	<u>(9,181)</u>	<u>(74,574)</u>
Non-Operating Revenues:			
Interest	125	702	827
Federal and State Subsidies	40,322		40,322
Total Non-Operating Revenues	<u>40,447</u>	<u>702</u>	<u>41,149</u>
Net (Loss) Before Transfers	(24,946)	(8,479)	(33,425)
Interfund transfers:			
Operating Transfers In	20,000	236	20,236
Operating Transfers Out		(181)	(181)
Total Interfund Transfers	<u>20,000</u>	<u>55</u>	<u>20,055</u>
Net (Loss)	(4,946)	(8,424)	(13,370)
Fund Balance at Beginning of Year, Restated	<u>37,687</u>	<u>44,581</u>	<u>82,268</u>
Fund Balance at End of Year	<u>\$32,741</u>	<u>\$36,157</u>	<u>\$68,898</u>

The accompanying notes are an integral part of the financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$6,210,041	\$6,439,860	\$229,819
Special Revenue Funds	440,468	465,531	25,063
Debt Service Funds	817,798	825,287	7,489
Capital Project Funds	244,900	209,290	(35,610)
Proprietary:			
Enterprise Funds	327,700	325,311	(2,389)
Fiduciary:			
Trust Funds	600	276	(324)
Total (Memorandum Only)	<u>\$8,041,507</u>	<u>\$8,265,555</u>	<u>\$224,048</u>

The notes to the financial statements are an integral part of this statement.

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Prior Year Carryover <u>Appropriations</u>	2003 <u>Appropriations</u>	<u>Total</u>
Governmental:			
General Fund	\$1,501	\$6,890,474	\$6,891,975
Special Revenue Funds	725	467,515	468,240
Debt Service Funds		779,450	779,450
Capital Project Funds	258,154	264,908	523,062
Proprietary:			
Enterprise Funds		340,121	340,121
Fiducicary Funds			
Trust Funds		<u>600</u>	<u>600</u>
Total (Memorandum Only)	<u>\$260,380</u>	<u>\$8,743,068</u>	<u>\$9,003,448</u>

The notes to the financial statements are an integral part of this statement.

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$6,752,494	\$50	\$6,752,544	\$139,431
440,184		440,184	28,056
778,631		778,631	819
458,770	1,200	459,970	63,092
330,257		330,257	9,864
600		600	
<u>\$8,760,936</u>	<u>\$1,250</u>	<u>\$8,762,186</u>	<u>\$241,262</u>

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately twenty-three square miles. It is located in Auglaize and Mercer Counties. The School District is the 493th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-seven classified employees, sixty-four certified teaching personnel, and five administrative employees who provide services to nine hundred eighty-two students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New 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 organizations' 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. There are no component units of the New Bremen Local School District.

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the West Central Ohio Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Mercer Auglaize Employee Benefit Trust, Ohio School Plan and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 11 and 12 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

B. Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

General Fund

The General Fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

3. Enterprise Funds

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust fund and agency funds.

C. Budgetary Process

1. Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

To improve cash management, all cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon School District policy.

E. Unpaid Vacation and Sick Leave

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.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2004 and 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This change had the following effect on fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
Fund Balance June 30, 2002	\$ 2,132,676	\$241,720	\$329,504	\$11,001	\$0
Accrual adjustments / Fund reclassifications	654,008	(30,902)	22,938	(27)	44,581
Restated Fund Balance, July 1, 2001	<u>\$2,786,684</u>	<u>\$210,818</u>			
Special Revenue Restated Fund Balance, July 1, 2002			<u>\$29,923</u>		
Capital Projects Restated Fund Balance, July 1, 2002			<u>\$284,832</u>		
Enterprise Restated Fund Balance, July 1, 2002			<u>\$37,687</u>		
Expendable Trust Restated Fund Balance, July 1, 2002				<u>\$10,974</u>	
Agency Restated Fund Balance, July 1, 2002					<u>\$44,581</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

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

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

As of June 30, 2004 and 2003, the School District had \$150, in undeposited cash on hand which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2004, the carrying amount of the School District's deposits was \$220,959 and the bank balance was \$472,243. Of the bank balance, \$101,600 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. At June 30, 2003, the carrying amount of the School District's deposits was \$308,777 and the bank balance was \$498,532. Of the bank balance, \$101,734 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

Funds invested by the District are held in the State Treasurer's Investment Pool (Star Ohio), with a carrying value and market value of \$2,118,141 at June 30, 2004 and carrying value and market value of \$2,592,767 at June 30, 2003. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize, Darke, and Mercer 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, 2004, are available to finance fiscal year 2004 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 2004 taxes were collected are:

	2003 Second - Half Collections		2004 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 73,749,730	72.12%	\$75,457,050	76.77%
Public Utility	2,176,130	2.13	2,115,730	2.15
Tangible Personal	26,336,290	25.75	20,721,962	21.08
Total Assessed Value	\$102,262,150	100.00%	\$98,294,742	100.00%
Tax rate per \$1,000 of assessed valuation	\$51.75		\$51.75	

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT

A. Commercial Insurance

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 2004, the School District contracted for the following insurance coverage:

Coverage provided by Cincinnati Insurance Company is as follows:	
Buildings and Contents	\$26,904,110
Musical Instruments	345,214
Coverage provided by Ohio School Plan is as follows:	
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Coverage provided by Auto Owners Mutual Insurance Company is as follows:	
Automobile Liability	1,000,000
Coverage provided by Twin City Fire Insurance Company is as follows:	
Excess Liability	2,000,000

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

B. Insurance Purchasing Pool

The School District participates in the Mercer Auglaize Employee 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.

For fiscal year 2004, 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 Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given 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**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal years ended June 30, 2004 and 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year ended June 30, 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$451,556, \$439,666, and \$306,201, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$3,158 made by the School District and \$6,435 made by the plan members. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$3,725 made by the School District and \$4,384 made by plan members.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal years ended June 30, 2004 and 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. For the fiscal year ended June 30, 2003, the portion used to fund pension obligations was 8.17 percent. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$67,443, \$58,032, and \$35,553, respectively; 43 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal years 2004 and 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the fiscal year ended June 30, 2002, the portion used to fund health care was 4.5 percent. For the School District, this amount was \$34,978 during the 2004 fiscal year and \$34,107 during fiscal year 2003.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

8. POST EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004 and 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$51,269 for fiscal year 2004 and \$60,921 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<u>Interest Rates</u>	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
<u>General Long-Term Obligations</u>					
General Obligation Bonds					
1991 Elementary Addition	6.55%	\$550,000	\$0	\$50,000	\$500,000
1997 School Improvement					
Serial and Term Bonds	3.70- 5.50%	6,840,000	0	350,000	6,490,000
Capital Appreciation Bonds	7.70 -7.75%	583,864	0	0	583,864
Total General Obligation Debt		<u>\$7,973,864</u>	<u>\$0</u>	<u>\$400,000</u>	<u>\$7,573,864</u>

Elementary Addition General Obligation Bonds – On December 1, 1991, the School District issued \$1,100,000 in voted general obligation bonds for constructing, improving, and equipping the elementary school building. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2013. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a .9 mill voted property tax levy.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Bonds - On March 1, 1997, the School District issued \$8,998,864 in voted general obligation bonds for constructing and equipping a new high school building and repairing the elementary school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,165,000, \$4,250,000, and \$583,864, respectively. The bonds were issued from a twenty-one year period, with a final maturity during fiscal year 2018. The bonds are retired from the Bond Retirement debt service fund, with the proceeds of a 7.0 mill voted property tax levy.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2012 through 2017 (with the balance of \$470,000 to be paid at stated maturity on December 1, 2018), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2012	\$550,000
2013	580,000
2014	610,000
2015	645,000
2016	680,000
2017	715,000

The serial bonds maturing after December 1, 2007, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2007, at redemption prices equal to the following percentages of the principal amount redeemed plus accrued interest to the date fixed for redemption.

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2007 through November 30, 2008	101%
December 1, 2008 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2009 through 2011. The maturity amount of the bonds is \$1,650,000. For fiscal year 2003, \$68,848 was accreted for total bond value of \$941,861. For fiscal year 2004, \$74,257 was accreted for a total bond value of \$1,016,118.

The School District's overall debt margin was \$1,516,110 with an unvoted debt margin of \$98,295 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, were as follows:

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Serial and Term Bonds</u>	<u>Capital Appreciation Bonds</u>	<u>Interest</u>	<u>Total</u>
2005	\$430,000		\$363,982	\$793,982
2006	465,000		342,215	807,215
2007	495,000		318,508	813,508
2008	535,000		292,670	827,670
2009	565,000		264,638	829,638
2010 - 2014	1,380,000	583,864	2,214,498	4,178,362
2015 - 2019	3,120,000		417,450	3,537,450
	<u>\$6,990,000</u>	<u>\$583,864</u>	<u>\$4,213,961</u>	<u>\$11,787,825</u>

10. SET ASIDE REQUIREMENTS

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, S.B. No. 345 eliminated the requirement that districts establish and maintain a budget stabilization reserve. The Act provided requirements for the disposition of any budget reserve balance that may have existed at April 10, 2001.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004 and 2003.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2002	\$44,218	(\$7,281,140)
Current Year Set Aside Requirement	135,771	135,771
Qualifying Expenditures	(177,387)	(40,383)
Set Aside Reserve Balance June 30, 2003	<u>\$2,602</u>	<u>(\$7,185,752)</u>

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2003	\$2,602	(\$7,185,752)
Current Year Set Aside Requirement	135,360	135,360
Qualifying Expenditures	(126,945)	(21,066)
Set Aside Reserve Balance June 30, 2004	<u>\$11,017</u>	<u>(\$7,071,458)</u>

The School District had qualifying disbursements for capital improvements, which were capital expenditures from bond or note proceeds. This amount may be used to reduce the set aside requirements of future fiscal years.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

A. Western Central Ohio Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. 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, 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 2004 and 2003 the School District paid \$83,969 and \$59,621 respectively to WOCO for various services. Financial information can be obtained from Larry Wilberding, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

12. INSURANCE POOLS

A. Mercer Auglaize Employee Benefit Trust

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

12. INSURANCE POOLS (Continued)

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 Jim Mauntler; J.M. Consulting, 3457 Beechway Boulevard, Toledo, Ohio 43614.

B. 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, the president of Harcum-Hyre 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-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

C. Ohio Association of School Business Officials (OASBO) 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 OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

13. CONTINGENT LIABILITIES

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, 2004.

B. Litigation

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

C. State School Funding Decision

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

13. CONTINGENT LIABILITIES (Continued)

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of New Bremen Local School District (School District) as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated November 3, 2004, wherein we noted that the School District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated November 3, 2004.

New Bremen Local School District
Auglaize County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the Board of Education and management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large, prominent initial "B".

Betty Montgomery
Auditor of State

November 3, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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
DECEMBER 28, 2004**