

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

***CASH BASIS BASIC  
FINANCIAL STATEMENTS  
(Audited)***

***FOR THE YEAR ENDED  
DECEMBER 31, 2006***

**DIANE GAST, CLERK/TREASURER**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of New Bremen  
214 N. Washington  
P.O. Box 27  
New Bremen, Ohio 45869

We have reviewed the *Independent Auditor's Report* of the Village of New Bremen, Auglaize County, prepared by Julian & Grube, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 13, 2007

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**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

**CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

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## Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

Members of Council and Mayor  
Village of New Bremen  
214 N. Washington  
New Bremen, Ohio 45869

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of New Bremen (the "Village"), Auglaize County, Ohio, as of and for the year ended December 31, 2006 which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 opinions.

As discussed in Note 2, the Village prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of New Bremen, Auglaize County, Ohio as of December 31, 2006 and the respective changes in cash basis financial position and the respective budgetary comparison for the General fund, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2007 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.  
February 8, 2007

## VILLAGE OF NEW BREMEN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

The management's discussion and analysis of the Village of New Bremen's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

#### **Financial Highlights**

Key financial highlights for 2006 are as follows:

- The total net cash assets of the Village increased \$267,846. Net cash assets of governmental activities increased \$181,459, which represents a 9.38% increase from fiscal year 2005. Net cash assets of business-type activities increased \$86,387 or 4.61% from fiscal year 2005.
- General cash receipts accounted for \$3,121,128 or 91.32% of total governmental activities cash receipts. Program specific cash receipts accounted for \$296,620 or 8.68% of total governmental activities cash receipts.
- The Village had \$3,036,289 in cash disbursements related to governmental activities and \$200,000 in transfers out to business-type activities; \$296,620 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$3,121,128 were adequate to provide for these programs.
- The Village's major governmental fund is the general fund. The general fund had cash receipts and other financing receipts of \$3,112,418 in 2006. The cash disbursements and other financing disbursements of the general fund, totaled \$2,942,859 in 2006. The general fund's cash balance increased \$169,559 from 2005 to 2006.
- The Villages major business-type activities fund is the electric fund. Net cash assets for the electric enterprise fund increased in 2006 by \$66,924 or 4.20%.

#### **Using this 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 Village's cash basis of accounting.

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Village, presenting both an aggregate view of the Village'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 Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, there is one major governmental fund.

## VILLAGE OF NEW BREMEN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

#### **Reporting the Village as a Whole**

##### *Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis*

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, “How did we do financially during 2006?” These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals 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 Village’s net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village 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 Village’s property tax base, income tax receipts, 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 Assets – Cash Basis and the Statement of Activities – Cash Basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village’s programs and services are reported here including security of person and property, public health services, leisure time activities, transportation and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village’s electric, water, sewer, swimming pool, refuse, utility deposit and library enterprise funds are reported as business activities

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 12-14 of this report.

#### **Reporting the Village’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 Village, 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 Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the Village’s major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village’s most significant funds. The Village’s major governmental fund is the General Fund. The analysis of the Village’s major governmental funds begins on page 9.



## VILLAGE OF NEW BREMEN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

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

Most of the Village'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 Village'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 Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 15-16 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

#### ***Proprietary Funds***

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its electric, water, sewer, swimming pool, refuse, utility deposit and library operations. The enterprise fund statements can be found on pages 18-19 of this report.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund is an agency fund. Only the cash held at year end for the agency funds are reported. There was no cash balance in the agency fund at year-end.

#### ***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 20-35 of this report.

**VILLAGE OF NEW BREMEN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**Government-Wide Financial Analysis**

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's assets and net cash assets for 2006 and 2005.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Net Cash Assets</b>						
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 2,115,297	\$ 1,961,087	\$ 1,933,838	\$ 1,874,700	\$ 4,076,384	\$ 3,808,538
Total assets	<u>2,115,297</u>	<u>1,961,087</u>	<u>1,933,838</u>	<u>1,874,700</u>	<u>4,076,384</u>	<u>3,808,538</u>
<u>Net cash assets</u>						
Restricted	257,634	-	245,764	-	257,634	245,764
Unrestricted	<u>1,857,663</u>	<u>1,961,087</u>	<u>1,688,074</u>	<u>1,874,700</u>	<u>3,818,750</u>	<u>3,562,774</u>
Total net cash assets	<u>\$ 2,115,297</u>	<u>\$ 1,961,087</u>	<u>\$ 1,933,838</u>	<u>\$ 1,874,700</u>	<u>\$ 4,076,384</u>	<u>\$ 3,808,538</u>

The total net cash assets of the Village increased \$267,846. Net cash assets of governmental activities increased \$181,459, which represents a 9.38% increase from fiscal year 2005. Net cash assets of business-type activities increased \$86,387 or 4.61% from fiscal year 2005.

The balance of government-wide unrestricted net cash assets of \$1,857,663 may be used to meet the government's ongoing obligations to citizens and creditors.

**VILLAGE OF NEW BREMEN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

The table below shows the changes in net cash assets for fiscal year 2006 and 2005:

	<b>Change in Net Cash Assets</b>					
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Cash Receipts:</b>						
Program cash receipts:						
Charges for services and sales	\$ 97,550	\$ 81,969	\$ 4,625,539	\$ 4,730,795	\$ 4,723,089	\$ 4,812,764
Operating grants and contributions	<u>199,070</u>	<u>383,590</u>	<u>-</u>	<u>-</u>	<u>199,070</u>	<u>383,590</u>
Total program cash receipts	<u>296,620</u>	<u>465,559</u>	<u>4,625,539</u>	<u>4,730,795</u>	<u>4,922,159</u>	<u>5,196,354</u>
General cash receipts:						
Property and other taxes	259,284	139,005	-	-	259,284	139,005
Income tax	2,175,522	2,072,716	-	-	2,175,522	2,072,716
Other local tax	-	-	236,673	232,997	236,673	232,997
Loans	-	-	-	700,000	-	700,000
Unrestricted grants	497,496	246,808	-	-	497,496	246,808
Investment earnings	160,544	97,629	-	-	160,544	97,629
Other	<u>28,282</u>	<u>87,684</u>	<u>-</u>	<u>-</u>	<u>28,282</u>	<u>87,684</u>
Total general cash receipts	<u>3,121,128</u>	<u>2,643,842</u>	<u>236,673</u>	<u>932,997</u>	<u>3,357,801</u>	<u>3,576,839</u>
Total cash receipts	<u>3,417,748</u>	<u>3,109,401</u>	<u>4,862,212</u>	<u>5,663,792</u>	<u>8,279,960</u>	<u>8,773,193</u>
<b>Cash Disbursements:</b>						
Current:						
General government	361,814	343,450	-	-	361,814	343,450
Security of persons and property	808,299	734,512	-	-	808,299	734,512
Public health services	15,312	15,325	-	-	15,312	15,325
Leisure time activities	251,740	252,368	-	-	251,740	252,368
Transportation	509,489	523,899	-	-	509,489	523,899
Capital outlay	1,089,635	970,655	-	-	1,089,635	970,655
Debt service:						
Principal retirement	-	42,618	-	-	-	42,618
Interest and fiscal charges	-	2,989	-	-	-	2,989
Electric	-	-	4,290,049	5,240,837	4,290,049	5,240,837
Other enterprise funds:						
Water	-	-	250,148	266,478	250,148	266,478
Sewer	-	-	164,435	165,549	164,435	165,549
Swimming pool	-	-	137,477	145,756	137,477	145,756
Refuse	-	-	116,752	92,047	116,752	92,047
Utility Deposits	-	-	16,131	17,072	16,131	17,072
Library	<u>-</u>	<u>-</u>	<u>833</u>	<u>1,582</u>	<u>833</u>	<u>1,582</u>
Total cash disbursements	<u>3,036,289</u>	<u>2,885,816</u>	<u>4,975,825</u>	<u>5,929,321</u>	<u>8,012,114</u>	<u>8,815,137</u>
Change in net assets before transfers	381,459	223,585	(113,613)	(265,529)	267,846	(41,944)
Transfers	<u>(200,000)</u>	<u>(236,088)</u>	<u>200,000</u>	<u>236,088</u>	<u>-</u>	<u>-</u>
Change in net cash assets	181,459	(12,503)	86,387	(29,441)	267,846	(41,944)
Net cash assets at beginning of year	<u>1,933,838</u>	<u>1,946,341</u>	<u>1,874,700</u>	<u>1,904,141</u>	<u>3,808,538</u>	<u>3,850,482</u>
Net cash assets at end of year	<u>\$ 2,115,297</u>	<u>\$ 1,933,838</u>	<u>\$ 1,961,087</u>	<u>\$ 1,874,700</u>	<u>\$ 4,076,384</u>	<u>\$ 3,808,538</u>

## VILLAGE OF NEW BREMEN, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

#### Governmental Activities

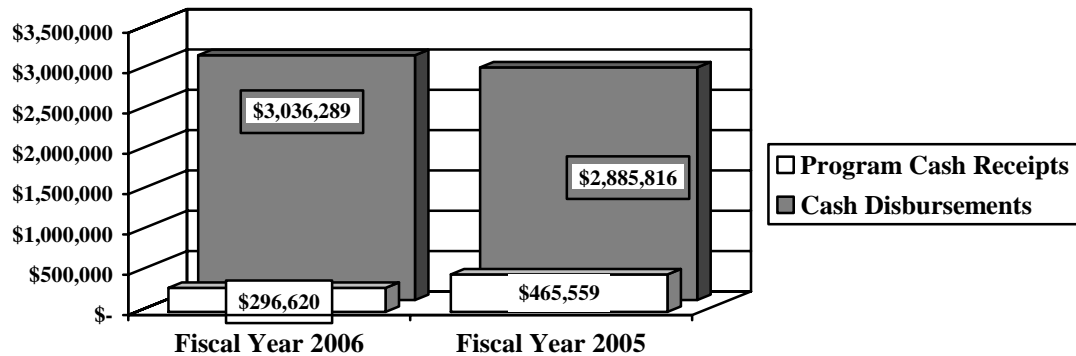
Governmental cash assets increased by \$181,459 in 2006 from 2005.

General government represents activities related to the governing body as well as activities that directly support Village programs. In 2006, general government cash disbursements totaled \$361,814, or 11.92% of total governmental cash disbursements. General government programs were supported by \$15,623 in direct charges to users for services.

The Village program, security of person and property, accounted for \$808,299 or 26.62% of total governmental cash disbursements. These service programs are primarily supported by user fees, and state and federal grants. The Village program, transportation, accounted for \$509,489 or 16.78% of total governmental cash disbursements. The transportation service programs are primarily supported by user fees, and state and federal grants.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following graph shows, for governmental activities, the total cash disbursements and the portion of those cash disbursements that were offset with specific program receipts for 2006 and 2005. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

**Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements**



**VILLAGE OF NEW BREMEN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

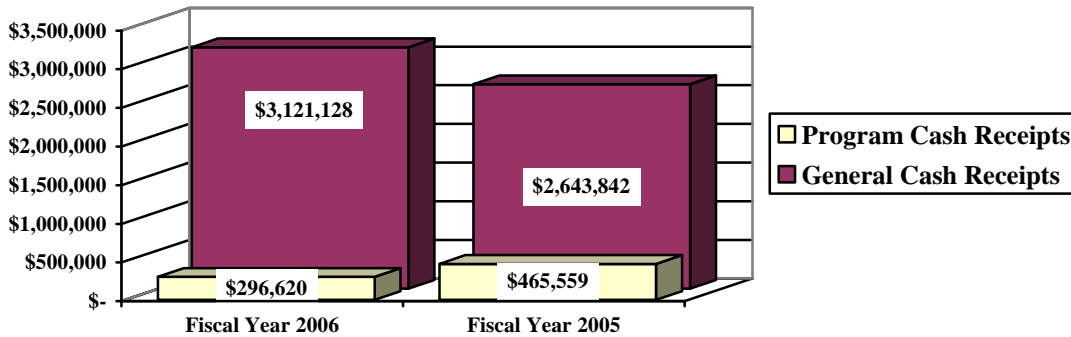
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005.

**Governmental Activities**

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Cash disbursements:				
Current:				
General government	\$ 361,814	\$ 346,191	\$ 343,450	\$ 324,076
Security of persons and property	808,299	758,228	734,512	509,380
Public health services	15,312	15,312	15,325	15,325
Leisure time activities	251,740	207,258	252,368	229,184
Transportation	509,489	323,045	523,899	326,030
Capital outlay	1,089,635	1,089,635	970,655	970,655
Debt service:				
Principal retirement	-	-	42,618	42,618
Interest and fiscal charges	-	-	2,989	2,989
<b>Total</b>	<b>\$ 3,036,289</b>	<b>\$ 2,739,669</b>	<b>\$ 2,885,816</b>	<b>\$ 2,420,257</b>

The dependence upon general cash receipts for governmental activities is apparent; with 90.23% of cash disbursements supported through taxes and other general cash receipts during 2006. The graph below shows the governmental activities program cash receipts versus general cash receipts for 2006 and 2005.

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



**VILLAGE OF NEW BREMEN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**Business-type Activities**

The electric fund is the Village's major enterprise fund. This program had cash receipts of \$4,256,973, cash disbursements of \$4,290,049, transfers in of \$100,000 for fiscal year 2006. The net cash assets of the programs increased \$66,924 or 4.20% from 2005.

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

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

**Governmental Funds**

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

The Village's governmental funds reported a combined fund cash balance of \$2,115,297, which is \$181,459 above last year's total of \$1,933,838. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2006 and December 31, 2005, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,857,663	\$ 1,688,074	\$ 169,589
Other Nonmajor Governmental Funds	<u>257,664</u>	<u>245,764</u>	<u>11,900</u>
Total	<u>\$ 2,115,327</u>	<u>\$ 1,933,838</u>	<u>\$ 181,489</u>

**General Fund**

The general fund, the Village's only major fund, had cash receipts and other receipts of \$3,112,418 in 2006. The cash disbursements and other financing disbursements of the general fund, totaled \$2,942,859 in 2006. The general fund's cash balance increased \$169,559 from 2005 to 2006.

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Local taxes	\$ 2,341,527	\$ 2,211,721	5.87 %
Intergovernmental	490,914	246,808	98.91 %
Special assessments	39,889	29,312	36.08 %
Charges for services	41,828	33,028	26.64 %
Fines, licenses and permits	13,517	17,506	(22.79) %
Investment income	159,839	97,224	64.40 %
Other	<u>24,779</u>	<u>39,299</u>	(36.95) %
Total	<u>\$ 3,112,293</u>	<u>\$ 2,674,898</u>	16.35 %

Local tax receipts increased 5.87% from the prior year. The largest increase was in the area of intergovernmental receipts which increased 98.91% versus the prior year due to an increase in grants received by the Village.

**VILLAGE OF NEW BREMEN, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
General government	\$ 361,814	\$ 342,395	5.67 %
Security of persons and property	699,979	609,449	14.85 %
Public health service	15,312	15,325	(0.08) %
Leisure time activity	15,955	20,296	(21.39) %
Transportation	160,164	163,905	(2.28) %
Capital outlay	<u>1,089,635</u>	<u>970,655</u>	12.26 %
Total	<u>\$ 2,342,859</u>	<u>\$ 2,122,025</u>	10.41 %

Overall, cash disbursements increased \$220,834 from 2005. The largest increase was in the areas of security of persons and property and capital outlay which increased 14.85% and 12.26%, respectively, over the prior year.

***Budgeting Highlights - General Fund***

The Village'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 budget basis receipts and other financing receipts equal to original budget estimates of \$5,305,863. Actual cash receipts and other financing receipts of \$3,112,418 were less than final budget estimates by \$2,193,445. The final budgetary basis disbursements and other financing disbursements of \$6,993,937 were equal to original budget estimates. The actual budgetary basis disbursements and other financing disbursements of \$3,494,253 were \$3,499,684 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$1,089,635 during fiscal year 2006.

**VILLAGE OF NEW BREMEN, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

***Debt Administration***

The Village had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Business-type Activities <u>2006</u>	Business-type Activities <u>2005</u>
First National Bank Loan	\$ <u>500,000</u>	\$ <u>600,000</u>
Total long-term obligations	\$ <u>500,000</u>	\$ <u>600,000</u>

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors were taken into consideration in preparing the budget for fiscal year 2006:

The Village of New Bremen's major source of revenue is income tax. Approximately 1.5 percent of revenue is derived from this source. The Village continues to strive for ways and means to make optimum utilization of available resources. The Village continues to apply for grants and Issue II funding. Currently, the Village is finishing the Rehabilitation of Lock One Project, for which we received a grant of \$270,000.

The challenge for our Village is to provide quality services to the residents of our community while staying within the restrictions imposed by limited funding. The Village relies heavily on local taxes and intergovernmental revenues to provide safe and secure neighborhoods through our Police Department and trained and qualified volunteer firemen for our Fire Department.

These factors were considered in preparing the Village's budget for fiscal year 2007. During 2006, the operating budget was approximately \$17.5 million (all funds). The Village has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Diane Gast, Clerk/Treasurer, Village of New Bremen, 214 N. Washington St, P.O. Box 27, New Bremen, Ohio 45869-0027.



**CASH BASIS BASIC  
FINANCIAL STATEMENTS**

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**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,115,297	\$ 1,961,087	\$ 4,076,384
Total assets. . . . .	<u>2,115,297</u>	<u>1,961,087</u>	<u>4,076,384</u>
<b>Net cash assets:</b>			
Restricted for:			
Street construction . . . . .	51,666	-	51,666
State highway . . . . .	23,290	-	23,290
Parks and recreation . . . . .	103,109	-	103,109
Permissive tax. . . . .	54,512	-	54,512
Other purposes . . . . .	25,087	-	25,087
Unrestricted . . . . .	<u>1,857,633</u>	<u>1,961,087</u>	<u>3,818,720</u>
Total net cash assets . . . . .	<u>\$ 2,115,297</u>	<u>\$ 1,961,087</u>	<u>\$ 4,076,384</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Program Cash Receipts</b>		
	<b>Cash Disbursements</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Governmental activities:</b>			
Current:			
General government . . . . .	\$ 361,814	\$ 15,623	\$ -
Security of persons and property . . . . .	808,299	41,828	8,243
Public health services . . . . .	15,312	-	-
Leisure time activities . . . . .	251,740	-	44,482
Transportation . . . . .	509,489	40,099	146,345
Capital outlay . . . . .	1,089,635	-	-
<b>Total governmental activities . . . . .</b>	<b>3,036,289</b>	<b>97,550</b>	<b>199,070</b>
<b>Business-type activities:</b>			
Electric . . . . .	4,290,049	4,020,300	-
Other enterprise funds:			
Water . . . . .	250,148	249,085	-
Sewer . . . . .	164,435	146,413	-
Swimming Pool . . . . .	137,477	73,808	-
Refuse . . . . .	116,752	112,483	-
Utility Deposits . . . . .	16,131	20,250	-
Library . . . . .	833	3,200	-
<b>Total business-type activities . . . . .</b>	<b>4,975,825</b>	<b>4,625,539</b>	<b>-</b>
<b>Totals . . . . .</b>	<b>\$ 8,012,114</b>	<b>\$ 4,723,089</b>	<b>\$ 199,070</b>

**General Cash Receipts and Transfers:**

Property and other taxes levied for:
General purposes . . . . .
Special revenue . . . . .
Income taxes . . . . .
Other local taxes . . . . .
Grants and entitlements not restricted to specific programs. . . . .
Investment receipts . . . . .
Miscellaneous . . . . .
<b>Total general cash receipts. . . . .</b>
Transfers . . . . .
<b>Total general cash receipts and transfers . . . . .</b>
Change in net cash assets . . . . .
<b>Net cash assets at beginning of year. . . . .</b>
<b>Net cash assets at end of year . . . . .</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (346,191)	\$ -	\$ (346,191)
(758,228)	-	(758,228)
(15,312)	-	(15,312)
(207,258)	-	(207,258)
(323,045)	-	(323,045)
(1,089,635)	-	(1,089,635)
<u>(2,739,669)</u>	<u>-</u>	<u>(2,739,669)</u>
-	(269,749)	(269,749)
-	(1,063)	(1,063)
-	(18,022)	(18,022)
-	(63,669)	(63,669)
-	(4,269)	(4,269)
-	4,119	4,119
-	2,367	2,367
<u>-</u>	<u>(350,286)</u>	<u>(350,286)</u>
<u>(2,739,669)</u>	<u>(350,286)</u>	<u>(3,089,955)</u>
166,005	-	166,005
93,279	-	93,279
2,175,522	-	2,175,522
-	236,673	236,673
497,496	-	497,496
160,544	-	160,544
28,282	-	28,282
<u>3,121,128</u>	<u>236,673</u>	<u>3,357,801</u>
<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
<u>2,921,128</u>	<u>436,673</u>	<u>3,357,801</u>
181,459	86,387	267,846
<u>1,933,838</u>	<u>1,874,700</u>	<u>3,808,538</u>
<u>\$ 2,115,297</u>	<u>\$ 1,961,087</u>	<u>\$ 4,076,384</u>

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,857,633	\$ 257,664	\$ 2,115,297
Total assets . . . . .	\$ 1,857,633	\$ 257,664	\$ 2,115,297
<b>Fund cash balances:</b>			
Reserved for encumbrances. . . . .	\$ 551,394	\$ 5,470	\$ 556,864
Unreserved, undesignated, reported in:			
General fund. . . . .	1,306,239	-	1,306,239
Special revenue funds . . . . .	-	252,194	252,194
Total fund cash balances . . . . .	\$ 1,857,633	\$ 257,664	\$ 2,115,297

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash receipts:</b>			
Local taxes . . . . .	\$ 2,341,527	\$ 93,279	\$ 2,434,806
Intergovernmental . . . . .	490,914	187,363	678,277
Special assessments . . . . .	39,889	-	39,889
Charges for services . . . . .	41,828	-	41,828
Fines, licenses and permits. . . . .	13,517	2,316	15,833
Interest. . . . .	159,839	705	160,544
Contributions and donations . . . . .	-	18,289	18,289
Other. . . . .	24,779	3,378	28,157
Total cash receipts . . . . .	3,112,293	305,330	3,417,623
<b>Cash disbursements:</b>			
Current:			
General government . . . . .	361,814	-	361,814
Security of persons and property . . . . .	699,979	108,320	808,299
Public health services . . . . .	15,312	-	15,312
Leisure time activities . . . . .	15,955	235,785	251,740
Transportation . . . . .	160,164	349,325	509,489
Capital outlay . . . . .	1,089,635	-	1,089,635
Total cash disbursements . . . . .	2,342,859	693,430	3,036,289
Excess of cash receipts over/(under) cash disbursements . . . . .	769,434	(388,100)	381,334
<b>Other financing receipts (disbursements):</b>			
Sale of assets . . . . .	125		125
Transfers in. . . . .	-	400,000	400,000
Transfers out . . . . .	(600,000)	-	(600,000)
Total other financing receipts (disbursements). . . . .	(599,875)	400,000	(199,875)
Net change in fund cash balances . . . . .	169,559	11,900	181,459
<b>Fund cash balances</b>			
at beginning of year. . . . .	1,688,074	245,764	1,933,838
Fund cash balances at end of year. . . . .	\$ 1,857,633	\$ 257,664	\$ 2,115,297

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH  
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Budgetary basis receipts:</b>				
Local taxes . . . . .	\$ 3,421,596	\$ 3,421,596	\$ 2,341,527	\$ (1,080,069)
Intergovernmental. . . . .	717,356	717,356	490,914	(226,442)
Special assessments. . . . .	58,288	58,288	39,889	(18,399)
Charges for services . . . . .	66,995	66,995	41,828	(25,167)
Fines, licenses and permits. . . . .	19,752	19,752	13,517	(6,235)
Interest. . . . .	178,516	178,516	122,165	(56,351)
Other . . . . .	91,260	91,260	62,453	(28,807)
Total budgetary basis receipts . . . . .	<u>4,553,763</u>	<u>4,553,763</u>	<u>3,112,293</u>	<u>(1,441,470)</u>
<b>Budgetary basis disbursements:</b>				
Current:				
General government . . . . .	674,165	674,165	365,001	309,164
Security of persons and property . . . . .	1,306,905	1,306,905	707,574	599,331
Public health services. . . . .	28,588	28,588	15,478	13,110
Leisure time activities . . . . .	29,789	29,789	16,128	13,661
Transportation . . . . .	299,037	299,037	161,902	137,135
Capital outlay . . . . .	3,007,268	3,007,268	1,628,170	1,379,098
Total budgetary basis disbursements. . . . .	<u>5,345,752</u>	<u>5,345,752</u>	<u>2,894,253</u>	<u>2,451,499</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements. . . . .	<u>(791,989)</u>	<u>(791,989)</u>	<u>218,040</u>	<u>1,010,029</u>
<b>Other financing receipts (disbursements):</b>				
Sale of assets . . . . .	2,100	2,100	125	(1,975)
Transfers in . . . . .	750,000	750,000	-	(750,000)
Transfers out . . . . .	(1,648,185)	(1,648,185)	(600,000)	1,048,185
Total other financing receipts (disbursements). . . . .	<u>(896,085)</u>	<u>(896,085)</u>	<u>(599,875)</u>	<u>296,210</u>
Net change in fund cash balance . . . . .	(1,688,074)	(1,688,074)	(381,835)	1,306,239
<b>Fund cash balance at beginning of year. . . . .</b>	1,384,613	1,384,613	1,384,613	-
<b>Prior year encumbrances appropriated . . . . .</b>	303,461	303,461	303,461	-
<b>Fund cash balance at end of year. . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,306,239</u>	<u>\$ 1,306,239</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2006

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Electric</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents. . . . .	\$ 1,659,190	\$ 301,897	\$ 1,961,087
Total assets . . . . .	1,659,190	301,897	1,961,087
<b>Net cash assets:</b>			
Unrestricted. . . . .	1,659,190	301,897	1,961,087
Total net cash assets. . . . .	\$ 1,659,190	\$ 301,897	\$ 1,961,087

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Electric</b>	<b>Other Enterprise</b>	<b>Total</b>
<b>Operating cash receipts:</b>			
Charges for services . . . . .	\$ 4,020,300	\$ 605,239	\$ 4,625,539
Total operating cash receipts . . . . .	4,020,300	605,239	4,625,539
<b>Operating cash disbursements:</b>			
Personal services . . . . .	310,062	254,304	564,366
Contractual services . . . . .	3,053,922	208,629	3,262,551
Materials and supplies . . . . .	185,219	179,275	364,494
Capital outlay . . . . .	379,727	43,568	423,295
Total operating cash disbursements . . . . .	3,928,930	685,776	4,614,706
Operating cash receipts over (under) operating cash disbursements . . . . .	91,370	(80,537)	10,833
<b>Nonoperating cash receipts (disbursements):</b>			
Other local tax . . . . .	236,673	-	236,673
Excise tax expense . . . . .	(236,673)	-	(236,673)
Debt Service:			
Principal . . . . .	(100,000)	-	(100,000)
Interest and other fiscal charges . . . . .	(24,446)	-	(24,446)
Total nonoperating cash receipts (disbursements). . . . .	(124,446)	-	(124,446)
Income (loss) before transfers . . . . .	(33,076)	(80,537)	(113,613)
Transfers in . . . . .	100,000	100,000	200,000
Changes in net cash assets. . . . .	66,924	19,463	86,387
<b>Net cash assets at beginning of year . . . . .</b>	<b>1,592,266</b>	<b>282,434</b>	<b>1,874,700</b>
<b>Net cash assets at end of year . . . . .</b>	<b>\$ 1,659,190</b>	<b>\$ 301,897</b>	<b>\$ 1,961,087</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of New Bremen (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, water, sewer and electric utility services, street maintenance and repair, as well as other services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Village's accounting policies:

**A. Basis of Presentation**

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

*Government-wide Statement of Activities – Cash Basis* - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

*Fund Financial Statements* - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise 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 fund type.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

**B. Fund Accounting**

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept development 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. The Village classifies each fund as either governmental, proprietary or fiduciary.

**Governmental Funds** - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

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

Other governmental funds of the Village are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; and (b) for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** - These 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 costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following is the Village's major enterprise fund:

Electric Fund - This fund accounts for the user charges and expense of providing electricity.

The Village has six nonmajor enterprise funds that are used to account for water, sewer, refuse, utility deposits, swimming pool and library operations.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary fund is an agency fund which accounts for the Village's Mayor's Court. The agency fund did not have any net cash assets to report at December 31, 2006.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village'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.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

As a result of the use of this 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 these financial statements.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimate resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate, and the Budget Commission find the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a 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 annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted appropriation amendments during 2006. The budgetary statement reflects the original and final appropriations as approved by Council.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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. The Village had outstanding encumbrances at December 31, 2006.

**E. Cash and Cash Equivalents**

The Village has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2006, interest revenue credited to the general fund amounted to \$159,839 which includes \$88,042 assigned from other Village funds.

The presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Village are considered to be cash equivalents.

An analysis of the Village's investment account at year-end is provided in Note 4.

**F. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. 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 basis of accounting used by the Village (See Note 2.C.).

**H. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**I. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The Village first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation". GASB Statement No. 46 defines enabling legislation and specifies how net cash assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net cash assets restricted by enabling legislation.

The implementation of GASB Statement No. 46 did not have an effect on the fund cash balances/net cash assets of the Village as previously reported at December 31, 2005.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies held by the Village 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 Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim moneys 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.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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



**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At December 31, 2006, the carrying amount of all Village deposits was \$1,075,114. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2006, \$1,024,843 of the Village’s bank balance of \$1,163,598 was exposed to custodial risk as discussed below, while \$138,755 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

**B. Investments**

As of December 31, 2006, the Village had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 3,001,270	\$ 3,001,270
	<u>\$ 3,001,270</u>	<u>\$ 3,001,270</u>

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

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,001,270	100.00
	<u>\$ 3,001,270</u>	<u>100.00</u>

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,075,114
Investments	<u>3,001,270</u>
Total	<u>\$ 4,076,384</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,115,297
Business-type activities	<u>1,961,087</u>
Total	<u>\$ 4,076,384</u>

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Electric Fund	\$ 100,000
Other enterprise funds	100,000
Nonmajor governmental funds	<u>400,000</u>
	<u>\$ 600,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 6 - DEBT OBLIGATIONS**

At December 31, 2006, debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at 12/31/06</u>
First National Bank. Semi-annual payments for 7 years at a fixed rate of 4.25%. The final payment due in 2011.	\$ 500,000
Total debt obligations at December 31, 2006	<u>\$ 500,000</u>

The following is a summary of the Village's long-term obligation activity for fiscal year 2006:

	<u>Balance 01/01/06</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/06</u>	<u>Amount due within one year</u>
Loan Payable	\$ 600,000	\$ -	\$ (100,000)	\$ 500,000	\$ 100,000
Total Debt Obligations	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 500,000</u>	<u>\$ 100,000</u>

Activity of the loan payable is accounted for in the electric enterprise fund.

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006, are as follows:

<u>Year Ending December 31,</u>	<u>First National Bank Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 100,000	\$ 20,196
2008	100,000	15,987
2009	100,000	11,696
2010	100,000	7,446
2011	<u>100,000</u>	<u>3,196</u>
Total	<u>\$ 500,000</u>	<u>\$ 58,521</u>

**NOTE 7 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 7 - PROPERTY TAX - (Continued)**

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

	<u>2006</u>
Real property tax	\$ 61,279,210
Public utility tangible personal property	430,460
Tangible personal property	<u>15,562,942</u>
Total assessed valuation	<u>\$ 77,272,612</u>

**NOTE 8 - LOCAL INCOME TAX**

This locally levied tax of 1.50% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are accounted for in the Income Tax Fund and transferred based on Council ordinance allocation to various funds for operations. During 2006, the Village collected \$2,175,522 in income tax receipts.

**NOTE 9 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 9 - PENSION PLANS - (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's contributions to OPERS for the years ended December 31, 2006, 2005, and 2004 were \$137,661, \$132,022, and \$129,071, respectively; these contributions were sufficient to fulfill the requirements.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The Village's contributions to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$56,810, \$56,187, and \$53,375, respectively; these contributions were sufficient to fulfill the requirements.

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus and an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The Village's actual employer contributions for 2006 which were used to fund postemployment benefits were \$45,222. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Village's actual contributions for 2006 that were used to fund postemployment benefits was \$22,554. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 (the latest information available), was 13,922 for police and 10,537 for firefighters.

**NOTE 11 - RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Members can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 11 - RISK MANAGEMENT - (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$ 13,725,507</u>	<u>\$ 13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$ 3,375,087</u>	<u>\$ 3,108,199</u>

Additional financial information may be obtained at [www.pepohio.org](http://www.pepohio.org).

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12.0 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12.0 million of unpaid claims to be billed to approximately 439 member political subdivisions in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$138,000. This payable includes the subsequent year's contribution due if it terminates participation, as described in the last paragraph below.

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2006	\$ 69,285
2005	\$ 71,892

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**NOTE 12 - CONTINGENT LIABILITY**

LITIGATION

The Village is not currently involved in litigation that the Village's legal counsel anticipates a loss.



**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE 13 - ECONOMIC DEPENDENCE**

The Village receives approximately 60% of its electric, water and sewer revenue from a local manufacturer. The same manufacturer also accounts for approximately 60% of the Village's income tax receipts through payroll withholdings and the manufacturer's corporate tax.

**NOTE 14 - JOINT VENTURE WITH EQUITY INTEREST**

The Village of New Bremen is a Financing Participant with an ownership percentage of 2.38%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

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Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006 New Bremen has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 14 - JOINT VENTURE WITH EQUITY INTEREST - (Continued)**

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$257,116 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2006, the encumbrances outstanding at year end (budgetary basis) amounted to \$551,394 for the general fund.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

Members of Council and Mayor  
Village of New Bremen, Auglaize County  
214 N. Washington  
New Bremen, Ohio 45869

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of New Bremen, Auglaize County, as of and for the year ended December 31, 2006, and have issued our report thereon dated February 8, 2007 wherein we noted the Village prepared its financial statements on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of New Bremen's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of New Bremen's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of New Bremen's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Members of Council and Mayor  
Village of New Bremen

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Village of New Bremen in a separate letter dated February 8, 2007.

This report is intended solely for the information of management of the Village of New Bremen, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.  
February 8, 2007

**VILLAGE OF NEW BREMEN  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2005-VONB-001	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	Partially	Citation now located in management letter
2005-VONB-002	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Partially	Citation now located in management letter





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF NEW BREMEN**

**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  
JUNE 26, 2007**