



Mary Taylor, CPA
Auditor of State

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2008.....	3
Basic Financial Statements For the Fiscal Year Ended June 30, 2008:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds	11
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds	12
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – Budget Basis - General Fund	13
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds	14
Statement of Changes in Fiduciary Net Assets – Cash Basis - Fiduciary Fund	15
Notes to the Basic Financial Statements	17
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2007.....	35
Basic Financial Statements For the Fiscal Year Ended June 30, 2007:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis	41
Statement of Activities – Cash Basis	42
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds	43
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds	44
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – Budget Basis - General Fund	45
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds	46
Statement of Changes in Fiduciary Net Assets – Cash Basis - Fiduciary Fund	47
Notes to the Basic Financial Statements	49
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	67

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, (the School District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District'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 reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, as of June 30, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

April 2, 2009

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of New Bremen Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For New Bremen Local School District, the General Fund and Bond Retirement debt service fund are the most significant funds.

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting The School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement debt service fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1			
Governmental Activities			
Net Assets			
	2008	2007	Change
Assets:			
Cash and Cash Equivalents	<u>\$5,136,050</u>	<u>\$4,367,873</u>	<u>\$768,177</u>
Net Assets:			
Restricted	\$988,412	\$892,149	\$96,263
Unrestricted	<u>4,147,638</u>	<u>3,475,724</u>	<u>671,914</u>
Total Net Assets	<u>\$5,136,050</u>	<u>\$4,367,873</u>	<u>\$768,177</u>

Total net assets increased \$768,177, or 18 percent. The School District experienced a significant increase in general receipts income taxes and State foundation while total operational costs were maintained to approximately the same amount as the prior fiscal year.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Governmental Activities
Change in net Assets**

	2008	2007	Changes
Receipts:			
Program Receipts:			
Charges for Services	\$ 475,785	\$497,418	(\$21,633)
Operating Grants, Contributions, and Interest	791,328	569,137	222,191
Capital Grants and Contributions	5,037	100,656	(95,619)
Total Program Receipts	<u>1,272,150</u>	<u>1,167,211</u>	<u>104,939</u>
General Receipts:			
Property Taxes:			
Levied for General Purposes	2,240,220	2,835,721	(595,501)
Levied for Debt Service	691,610	794,304	(102,694)
Levied for permanent Improvements	79,729	93,381	(13,652)
Income Taxes	1,494,540	1,184,992	309,548
Grants and Entitlements	4,079,966	3,962,096	117,870
Interest	229,837	212,952	16,885
Miscellaneous	38,912	10,092	28,820
Sale of Capital Assets		3,350	(3,350)
Total General Receipts	<u>8,854,814</u>	<u>9,096,888</u>	<u>(242,074)</u>
Total Receipts	<u>10,126,964</u>	<u>10,264,099</u>	<u>(137,135)</u>
Disbursements:			
Instruction:			
Regular	4,240,241	3,837,873	(402,368)
Special	341,447	369,431	27,984
Vocational	278,308	274,405	(3,903)
Support Services:			
Pupils	385,991	336,601	(49,390)
Instructional Staff	386,966	345,799	(41,167)
Board of Education	22,668	27,625	4,957
Administration	733,801	733,341	(460)
Fiscal	198,904	228,944	30,040
Operation and Maintenance of Plant	913,840	884,854	(28,986)
Pupil Transportation	235,563	142,759	(92,804)
Central	58,666	47,300	(11,366)
Non-instructional Services	294,387	286,428	(7,959)
Extracurricular Activities	417,777	386,239	(31,538)
Capital Outlay	43,534	95,657	52,123
Debt Service:			
Principal Retirement	595,000	560,000	(35,000)
Interest and Fiscal Charges	211,694	228,794	17,100
Total Disbursements	<u>9,358,787</u>	<u>8,786,050</u>	<u>(572,737)</u>
Increase in Net Assets	768,177	1,478,049	(709,872)
Net Assets at Beginning of Year	4,367,873	2,889,824	1,478,049
Net Assets at End of Year	<u>\$5,136,050</u>	<u>\$4,367,873</u>	<u>\$ 768,177</u>

Overall, program receipts did not change significantly. Decreases occurred in capital grants and contributions from donations received in fiscal year 2007. Operating grants, contributions, and interest increased from increases in special education grants and donations for field trips.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

General receipts represent 87 percent of the School District's total receipts which is comparable to the prior fiscal year. Property tax receipts decreased by 19 percent. The School District received a delinquency payment from Crown Equipment that was larger than estimates provided by the County Auditor during fiscal year 2007. In addition, the School District had a significant decrease in the overall amount in property taxes received for tangible personal property.

The instruction program disbursements accounted for 52 percent of all disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 10 percent of program costs. These are all comparable to fiscal year 2007.

Regular instruction disbursements increased significantly from several severance payments and a raise in base salaries and step increases in fiscal year 2008.

In fiscal year 2007, a special education instruction teacher retired and was replaced in fiscal year 2008 at a lower salary thereby reducing disbursements in special education instruction.

Pupil disbursements increased from special education excess costs, tuition, physical therapy, occupational therapy, and the full cost for internet service provider fees that in prior year fiscal years had been discounted.

An additional special education aide was contracted from the Auglaize County Educational Service center which increased instructional staff disbursements.

Fiscal disbursements decreased. In fiscal year 2007, disbursements were high from the costs associated with a two-year audit and increased auditor and treasurer fees from the new tangible property tax reimbursement fee.

Transportation disbursements increased in fiscal year 2008. The primary reason for the increase occurred from purchasing a new school bus in fiscal year 2008.

In fiscal year 2008, the School District negotiated a new tournament and longevity pay package for extracurricular coaches which increased extracurricular activity disbursements.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$4,240,241	\$3,837,873	\$3,937,262	\$3,596,705
Special	341,447	369,431	(72,344)	(12,742)
Vocational	278,308	274,405	222,149	221,971

(Continued)

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Table 3
Governmental Activities
(Continued)**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Support Services:				
Pupils	385,991	336,601	378,480	327,451
Instructional Staff	386,966	345,799	350,950	345,799
Board of Education	22,668	27,625	22,668	27,625
Administration	733,801	733,341	733,801	733,341
Fiscal	198,904	228,944	198,904	228,944
Operation and Maintenance of Plant	913,840	884,854	913,840	884,854
Pupil Transportation	235,563	142,759	219,455	117,738
Central	58,666	47,300	58,666	47,300
Non-instructional Services	294,387	286,428	30,521	30,552
Extracurricular Activities	417,777	386,239	242,057	184,850
Capital Outlay	43,534	95,657	43,534	95,657
Debt Service:				
Principal Retirement	595,000	560,000	595,000	560,000
Interest and Fiscal Charges	211,694	228,794	211,694	228,794
Total Disbursements	<u>\$9,358,787</u>	<u>\$8,786,050</u>	<u>\$8,086,637</u>	<u>\$7,618,839</u>

Approximately 14 percent of cost of services was financed through user charges and grants awarded for specific programs in fiscal year 2008, which is comparable to the prior fiscal year. The remaining 86 percent of total cost of services was financed through property taxes, income taxes, and unrestricted grants and entitlements.

Special instruction activities were totally provided for through operating grants. The most significant program receipts are associated with food service (noninstructional) and sport-related and trip charges (extracurricular) that are received to finance these activities. Food service also receives federal and state resources to provide meals to students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund. Due to an increase in income tax receipts, intergovernmental receipts, and interest receipts, along with controlling costs of operations, the School District had a positive excess of receipts over disbursements, in the amount of \$689,490 in the General Fund.

The Bond Retirement debt service fund's property taxes were sufficient to cover the principal and interest payments for the fiscal year.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$7,817,206, were only slightly above original budgeted receipts, in the amount of \$7,690,875, a change of 2 percent. The change from final budgeted receipts to actual receipts received, in the amount of \$415,257, occurred from slightly higher than income tax receipts than anticipated.

Final expenditures were budgeted at \$7,721,990 while actual expenditures were \$7,548,300. The School District was able to reduce spending for all programs resulting in a 2 percent reduction from budgeted amounts.

CURRENT ISSUES

General Fund appropriations increased by 3 percent in fiscal year 2009. The School District was awarded a STEM grant, in the amount of \$170,893, which will also increase appropriations in fiscal year 2009.

The Board of Education has approved to place the renewal of the 1 percent school district income tax on the May, 2009 ballot. Should the income tax be renewed, the School Board will proceed to include on the November, 2009 ballot a bond levy to either remodel the existing elementary school building or construct a new elementary building. To help determine which option, the School District is in the process of forming a committee of citizens.

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Debra A. Meyer, Treasurer, 901 East Monroe Street, New Bremen, Ohio 45869.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,136,050</u>
Net Assets	
Restricted for:	
Debt Service	670,032
Capital Projects	168,694
Other Purposes	98,028
Setasides	51,658
Unrestricted	<u>4,147,638</u>
Total Net Assets	<u><u>\$5,136,050</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			Capital Grants and Contributions	Net (Disbursements) Receipts and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest		
Governmental Activities					
Instruction:					
Regular	\$4,240,241	\$64,676	\$234,903	\$3,400	(\$3,937,262)
Special	341,447		413,791		72,344
Vocational	278,308		56,159		(222,149)
Support Services:					
Pupils	385,991		7,511		(378,480)
Instructional Staff	386,966		36,016		(350,950)
Board of Education	22,668				(22,668)
Administration	733,801				(733,801)
Fiscal	198,904				(198,904)
Operation and Maintenance of Plant	913,840				(913,840)
Pupil Transportation	235,563	13,810	661	1,637	(219,455)
Central	58,666				(58,666)
Noninstructional Services	294,387	223,345	40,521		(30,521)
Extracurricular Activities	417,777	173,954	1,766		(242,057)
Capital Outlay	43,534				(43,534)
Debt Service:					
Principal Retirement	595,000				(595,000)
Interest and Fiscal Charges	211,694				(211,694)
Total Governmental Activities	\$9,358,787	\$475,785	\$791,328	\$5,037	(8,086,637)
General Receipts					
Property Taxes Levied for:					
General Purposes					2,240,220
Debt Service					691,610
Permanent Improvements					79,729
Income Taxes					1,494,540
Grants and Entitlements Not Restricted to Specific Programs					4,079,966
Interest					229,837
Miscellaneous					38,912
Total General Receipts					8,854,814
Change in Net Assets					768,177
Net Assets at Beginning of Year					4,367,873
Net Assets at End of Year					\$5,136,050

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,147,638	\$670,032	\$265,085	\$5,082,755
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	<u>53,295</u>			<u>53,295</u>
Total Assets	<u>4,200,933</u>	<u>670,032</u>	<u>265,085</u>	<u>5,136,050</u>
Fund Balances				
Reserve for Textbooks	51,658			51,658
Reserved for Bus Purchases	1,637			1,637
Reserved for Encumbrances	4,491		44,795	49,286
Unreserved, Reported in				
General Fund	4,143,147			4,143,147
Special Revenue Funds			56,643	56,643
Debt Service Fund		670,032		670,032
Capital Projects Funds			<u>163,647</u>	<u>163,647</u>
Total Fund Balances	<u>\$4,200,933</u>	<u>\$670,032</u>	<u>\$265,085</u>	<u>\$5,136,050</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Bond Retirement	Other Governmental	Total
Receipts				
Property Taxes	\$2,240,220	\$691,610	\$79,729	\$3,011,559
Income Taxes	1,494,540			1,494,540
Intergovernmental	4,155,594	205,143	346,462	4,707,199
Interest	210,770	15,845	5,138	231,753
Tuition and Fees	77,673			77,673
Charges for Services	813		223,345	224,158
Extracurricular Activities			173,954	173,954
Gifts and Donations	36,016		131,200	167,216
Miscellaneous	16,837	41	22,034	38,912
Total Receipts	<u>8,232,463</u>	<u>912,639</u>	<u>981,862</u>	<u>10,126,964</u>
Disbursements				
Current:				
Instruction:				
Regular	4,034,387		205,854	4,240,241
Special	162,129		179,318	341,447
Vocational	278,308			278,308
Support Services:				
Pupils	379,325		6,666	385,991
Instructional Staff	386,966			386,966
Board of Education	22,668			22,668
Administration	730,747		3,054	733,801
Fiscal	182,231	14,929	1,744	198,904
Operation and Maintenance of Plant	860,019		53,821	913,840
Pupil Transportation	235,563			235,563
Central	58,666			58,666
Noninstructional Services			294,387	294,387
Extracurricular Activities	211,964		205,813	417,777
Capital Outlay			43,534	43,534
Debt Service:				
Principal Retirement		595,000		595,000
Interest and Fiscal Charges		211,694		211,694
Total Disbursements	<u>7,542,973</u>	<u>821,623</u>	<u>994,191</u>	<u>9,358,787</u>
Excess of Receipts Over (Under) Disbursements	689,490	91,016	(12,329)	768,177
Other Financing Sources (Uses)				
Advances In	2,500			2,500
Advances Out			(2,500)	(2,500)
Transfers In			34,000	34,000
Transfers Out	(34,000)			(34,000)
Total Other Financing Sources (Uses)	<u>(31,500)</u>		<u>31,500</u>	
Changes in Fund Balances	657,990	91,016	19,171	768,177
Fund Balances at Beginning of Year	<u>3,542,943</u>	<u>579,016</u>	<u>245,914</u>	<u>4,367,873</u>
Fund Balances at End of Year	<u>\$4,200,933</u>	<u>\$670,032</u>	<u>\$265,085</u>	<u>\$5,136,050</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,286,955	\$2,261,571	\$2,240,220	(\$21,351)
Income Taxes	1,075,540	1,075,540	1,494,540	419,000
Intergovernmental	4,028,830	4,180,545	4,155,594	(24,951)
Interest	200,000	200,000	210,770	10,770
Tuition and Fees	91,050	91,050	77,673	(13,377)
Charges for Services			813	813
Gifts and Donations			36,016	36,016
Miscellaneous	8,500	8,500	16,837	8,337
Total Receipts	<u>7,690,875</u>	<u>7,817,206</u>	<u>8,232,463</u>	<u>415,257</u>
Disbursements				
Current:				
Instruction:				
Regular	4,174,356	4,086,420	4,019,807	66,613
Special	175,763	175,763	162,129	13,634
Vocational	289,867	289,867	278,518	11,349
Other	9,500	16,947	16,947	
Support Services:				
Pupils	386,374	386,375	379,340	7,035
Instructional Staff	365,512	387,217	386,966	251
Board of Education	35,200	35,201	22,668	12,533
Administration	750,396	750,396	730,747	19,649
Fiscal	209,360	209,360	182,231	27,129
Operation and Maintenance of Plant	855,383	863,814	862,754	1,060
Pupil Transportation	211,860	239,866	235,563	4,303
Central	68,800	68,800	58,666	10,134
Extracurricular Activities	206,620	211,964	211,964	
Total Disbursements	<u>7,738,991</u>	<u>7,721,990</u>	<u>7,548,300</u>	<u>173,690</u>
Excess of Receipts Over (Under) Disbursements	(48,116)	95,216	684,163	588,947
Other Financing Uses				
Other Financing Uses	(8,000)	(8,000)		8,000
Advances In	2,500	2,500	2,500	
Transfers Out		(34,000)	(34,000)	
Total Other Financing Uses	<u>(5,500)</u>	<u>(39,500)</u>	<u>(31,500)</u>	<u>8,000</u>
Changes in Fund Balance	(53,616)	55,716	652,663	596,947
Fund Balance at Beginning of Year	3,540,829	3,540,829	3,540,829	
Prior Year Encumbrances Appropriated	2,114	2,114	2,114	
Fund Balance at End of Year	<u>\$3,489,327</u>	<u>\$3,598,659</u>	<u>\$4,195,606</u>	<u>\$596,947</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,288</u>	<u>\$23,793</u>
Liabilities		
Held for Students		21,735
Held for Staff		<u>2,058</u>
Total Liabilities		<u><u>\$23,793</u></u>
Net Assets		
Endowments	10,000	
Held in Trust for Scholarships	<u>288</u>	
Total Net Assets	<u><u>\$10,288</u></u>	

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS - FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$438
Deductions	
Noninstructional Services	<u>450</u>
Change in Net Assets	(12)
Net Assets at Beginning of Year	<u>10,300</u>
Net Assets at End of Year	<u><u>\$10,288</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately thirty-six square miles. It is located in Auglaize and Mercer Counties. The School District is the 507th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-one certified teaching personnel, and five administrative employees who provide services to 896 students and other community members. The School District currently operates two instructional buildings.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For New Bremen Local School District, this includes general operations, food service, and student related activities of the School District. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the New Bremen Local School District.

The School District participates in three jointly governed organizations and three insurance pools. These organizations are Western Ohio Computer Organization, Auglaize County Educational Academy, Auglaize County Special Needs School, Ohio School Plan, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

1. Governmental Funds

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the school improvement general obligation bonds.

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

2. Fiduciary Funds

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

The legal level of control selected by the Board is the fund and function level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

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

During fiscal year 2008, the School District invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, and STAR Ohio. 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 June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 was \$210,770, which included \$4,875, was assigned from other School District funds.

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

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions and enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials as well as unexpended receipts restricted for bus purchases.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. The School District did not have any net assets restricted by enabling legislation at June 30, 2008.

The School District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for textbooks, bus purchases, and encumbrances.

L. Interfund Activity

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

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand – At year end, the School district had \$150 in cash on hand which is included as part of cash and cash equivalents.

Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of deposits was \$233,283 and the bank balance was \$417,344 which was not subject to custodial risk because deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) and specifically pledged collateral.

Investments - As of June 30, 2008, the School District had the following investments.

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two years</u>
Negotiable Certificates of Deposit	\$ 888,011		\$99,000	\$495,000	\$ 294,011
Federal Home Loan Mortgage Corporation Notes	1,010,000				1,010,000
Federal National Mortgage Association Notes	351,000				351,000
STAR Ohio	<u>2,687,687</u>	<u>\$2,687,687</u>			
Total	<u>\$4,936,698</u>	<u>\$2,687,687</u>	<u>\$99,000</u>	<u>\$495,000</u>	<u>\$1,655,011</u>

The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the Career Center. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The negotiable certificates of deposit are insured by the FDIC. The Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation Notes	\$1,010,000	20.46%
Federal National Mortgage Association Notes	351,000	7.11

4. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Shelby, and Mercer Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$84,847,920	84.99%	\$86,886,050	91.86%
Public Utility	1,951,030	1.95	1,762,460	1.86
Tangible Personal	13,036,960	13.06	5,937,211	6.28
Total Assessed Value	<u>\$99,835,910</u>	<u>100.00%</u>	<u>\$94,585,721</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.55		\$51.55	

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 1,025,092			\$1,025,092
Depreciable Capital Assets				
Land Improvements	671,539			671,539
Buildings and Building Improvements	13,057,850			13,057,850
Improvements Other Than Buildings	798,221			798,221
Furniture, Fixtures, and Equipment	975,170	\$ 7,335	(\$42,141)	940,364
Vehicles	469,023	75,110	(39,829)	504,304
Total Depreciable Capital Assets	<u>15,971,803</u>	<u>82,445</u>	<u>(81,970)</u>	<u>15,972,278</u>
Governmental Activities Capital Assets	<u>\$16,996,895</u>	<u>\$82,445</u>	<u>(\$81,970)</u>	<u>\$16,997,370</u>

7. RISK MANAGEMENT

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

During fiscal year 2008, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Excess Liability	2,000,000
Automobile Liability	1,000,000

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	31,414,787
-----------------------	------------

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

For fiscal year 2008, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

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

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$395,618, \$460,770, and \$462,342 respectively; 80 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions for the DCP and CP for the fiscal year ended June 30, 2008, were \$6,550 made by the School District and \$10,739 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits.

For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$80,585, \$82,679, and \$77,155, respectively; 48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$30,936, \$35,833, and \$35,914 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$13,270.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$36,774, \$27,449, and \$26,926 respectively; 48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$5,806, \$5,622, and \$6,141 respectively; 48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefit

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

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
1991 Elementary Addition-6.55%	\$ 350,000		\$ 50,000	\$ 300,000	\$ 50,000
2005 Refunding School Improvement Serial Bonds 2.5 - 5.00%	5,375,000		545,000	4,830,000	565,000
Capital Appreciation Bonds 23.277%	282,996			282,996	
Total General Obligation Bonds	<u>\$6,007,996</u>	<u>\$0</u>	<u>\$595,000</u>	<u>\$5,412,996</u>	<u>\$615,000</u>

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

School Improvement Refunding General Obligation Bonds - On February 1, 2005, the School District issued \$6,692,996 in general obligation bonds to refund bonds previously issued for constructing and equipping a new high school building and repairing the elementary school building. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$6,410,000 and \$282,996, respectively. The bonds were issued for a fourteen year period, with final maturity in fiscal year 2019. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.0 mill voted property tax levy.

The serial bonds maturing after December 1, 2015, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption.

The capital appreciation bonds are not subject to early redemption. The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount for the bonds is \$1,930,000.

At June 30, 2008, \$5,112,996 of the refunded bonds were still outstanding.

The School District's overall debt margin was \$3,077,512 with an unvoted debt margin of \$86,894 at June 30, 2008.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2009	\$ 615,000	\$ 194,544		
2010	635,000	175,065		
2011	655,000	152,819		
2012	675,000	130,338		
2013	50,000	117,688	\$115,926	\$ 529,074
2014-2018	2,055,000	440,287	167,070	1,117,930
2019	445,000	11,125		
Totals	\$5,130,000	\$1,221,866	\$282,996	\$1,647,004

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

12. INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers other governmental funds, in the amount of \$34,000, to subsidize the activities of other funds.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$288 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

14. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	\$60,415	(\$6,917,795)
Current Year Set Aside Requirement	141,626	141,626
Qualifying Expenditures	(150,383)	
Current Year Offsets		(79,729)
Balance June 30, 2008	\$51,658	(\$6,855,898)

The School District had prior balances and current year offsets during the fiscal year that reduced the capital improvements setaside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

15. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2008, the School District paid \$77,241 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

C. Auglaize County Special Needs School

The School District is a participant in the Auglaize County Special Needs School (ACSNS), which is a community school. The ACSNS is an association of the school districts within Auglaize County to provide a special education program for kindergarten through twelfth grade students with multiple handicapped, emotionally disturbed, or autistic needs. The governing board of the ACSNS consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

16. INSURANCE POOLS

A. Ohio School Plan

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

B. Mercer Auglaize School Employee Benefit Trust

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from James Mauntler; JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. INSURANCE POOLS (Continued)

C. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by the five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

This page intentionally left blank.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of New Bremen Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For New Bremen Local School District, the General Fund and Bond Retirement debt service fund are the most significant funds.

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting The School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement debt service fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

	Table 1 Governmental Activities Net Assets		
	2007	2006	Change
Assets:			
Cash and Cash Equivalents	\$4,367,873	\$2,889,824	\$1,478,049
Net Assets:			
Restricted	892,149	655,476	236,673
Unrestricted	3,475,724	2,234,348	1,241,376
Total Net Assets	\$4,367,873	\$2,889,824	\$1,478,049

Total net assets increased \$1,478,049, or 51 percent. The School District experienced a significant increase in general receipts from property taxes, income taxes, State foundation, and interest receipts while total operational costs were maintained to approximately the same amount as the prior fiscal year.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

Table 2			
Governmental Activities			
Change in Net Assets			
	2007	2006	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 497,418	\$ 554,119	(\$ 56,701)
Operating Grants, Contributions, and Interest	569,137	656,528	(87,391)
Capital Grants and Contributions	100,656	129,053	(28,397)
Total Program Receipts	1,167,211	1,339,700	(172,489)
General Receipts:			
Property Taxes:			
Levied for General Purposes	2,835,721	2,390,978	444,743
Levied for Debt Service	794,304	722,890	71,414
Levied for Permanent Improvements	93,381	83,163	10,218
Income Taxes	1,184,992	789,355	395,637
Grants and Entitlements	3,962,096	3,626,823	335,273
Interest	212,952	109,645	103,307
Miscellaneous	10,092	36,244	(26,152)
Sale of Capital Assets	3,350		3,350
Total General Receipts	9,096,888	7,759,098	1,337,790
Total Receipts	10,264,099	9,098,798	1,165,301
Disbursements:			
Instruction:			
Regular	3,837,873	3,732,477	(105,396)
Special	369,431	341,352	(28,079)
Vocational	274,405	265,121	(9,284)
Support Services:			
Pupils	336,601	279,636	(56,965)
Instructional Staff	345,799	347,782	1,983
Board of Education	27,625	45,343	17,718
Administration	733,341	703,732	(29,609)
Fiscal	228,944	175,235	(53,709)
Operation and Maintenance of Plant	884,854	916,187	31,333
Pupil Transportation	142,759	196,590	53,831
Central	47,300	45,749	(1,551)
Non-instructional Services	286,428	278,747	(7,681)
Extracurricular Activities	386,239	378,166	(8,073)
Capital Outlay	95,657	191,831	96,174
Debt Service:			
Principal Retirement	560,000	575,000	15,000
Interest and Fiscal Charges	228,794	245,644	16,850
Total Disbursements	8,786,050	8,718,592	(67,458)
Increase in Net Assets	1,478,049	380,206	1,097,843
Net Assets at Beginning of Year	2,889,824	2,509,618	380,206
Net Assets at End of Year	\$4,367,873	\$2,889,824	\$1,478,049

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Program receipts in fiscal year 2007 represented 11 percent of total receipts compared to 15 percent in fiscal year 2006. Decreases occurred in all three categories of program receipts which included decreases in lunchroom charges, field trip charges, and donations for operating and capital purposes.

General receipts represent 89 percent of the School District's total receipts. Property tax receipts increased by 16 percent. This is partially due to the School District being at the twenty mill floor for agricultural and residential real property. Therefore, as the valuation of this class of property increases, so do the property tax receipts. Also during fiscal year 2007, the School District received a delinquency payment from Crown Equipment that was larger than estimates provided by the County Auditor.

Fiscal year 2007 was the first year that the full tangible personal property tax reimbursement took effect. The reimbursement was based on a 25 percent decrease in the tangible personal property taxes based on collections in 2004. However, tangible personal property taxes only decreased by 9 percent due to increased valuations.

Interest income increased in fiscal year 2007 from the increased cash balances and improved interest rates.

The instruction program disbursements accounted for 51 percent of all disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 9 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 10 percent of program costs. These are all comparable to fiscal year 2006.

Pupil disbursements increased from special education excess costs, tuition, physical therapy, and occupational therapy. Pupil disbursements also increased from data acquisition site fees being charged to this function rather than to the Board of Education program.

Fiscal disbursements increased from the costs associated with a two-year audit and increased auditor and treasurer fees from the new tangible property tax reimbursement fee.

Operation and maintenance of plant disbursements decreased from lower utility rates, especially for natural gas in fiscal year 2007. Also, building repairs were lower than in fiscal year 2006 because of a large building repair project in the prior fiscal year.

Transportation disbursements decreased in fiscal year 2007. The primary reason for the decrease occurred from purchasing a new school bus in fiscal year 2006.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$3,837,873	\$3,732,477	\$3,596,705	\$3,394,859
Special	369,431	341,352	(12,742)	(89,215)
Vocational	274,405	265,121	221,971	216,043
Support Services:				
Pupils	336,601	279,636	327,451	274,636
Instructional Staff	345,799	347,782	345,799	347,782
Board of Education	27,625	45,343	27,625	45,343
Administration	733,341	703,732	733,341	703,732
Fiscal	228,944	175,235	228,944	175,235
Operation and Maintenance of Plant	884,854	916,187	884,854	916,187
Pupil Transportation	142,759	196,590	117,738	173,399
Central	47,300	45,749	47,300	45,749
Non-instructional Services	286,428	278,747	30,552	12,832
Extracurricular Activities	386,239	378,166	184,850	149,835
Capital Outlay	95,657	191,831	95,657	191,831
Debt Service:				
Principal Retirement	560,000	575,000	560,000	575,000
Interest and Fiscal Charges	228,794	245,644	228,794	245,644
Total Disbursements	<u>\$8,786,050</u>	<u>\$8,718,592</u>	<u>\$7,618,839</u>	<u>\$7,378,892</u>

Approximately 13 percent of cost of services, a decrease of 2 percent, was financed through user charges and grants awarded for specific programs in fiscal year 2007. The remaining 87 percent of total cost of services was financed through property taxes, income taxes, and unrestricted grants and entitlements.

Special instruction activities were totally provided for through operating grants. The most significant program receipts are associated with food service (noninstructional) and sport-related and trip charges (extracurricular) that are received to finance these activities. Food service also receives federal and state resources to provide meals to students.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund. Due to an increase in property tax, income tax receipts, intergovernmental receipts, and interest receipts, along with controlling costs of operations, the School District had a positive excess of receipts over disbursements, in the amount of \$1,267,125 in the General Fund.

The Bond Retirement debt service fund's property taxes were sufficient to cover the principal and interest payments for the fiscal year.

General Fund Budgeting Highlights

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

During fiscal year 2007, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$7,942,079, were only slightly above original budgeted receipts, in the amount of \$7,707,606, a change of 3 percent. The change from final budgeted receipts to actual receipts received, in the amount of \$379,164, occurred from slightly higher than expected property tax receipts, income tax receipts, foundation receipts, and interest receipts.

Final expenditures were budgeted at \$7,310,857 while actual expenditures were \$7,054,272. The School District was able to reduce spending for all programs resulting in over a 3 percent reduction from budgeted amounts.

Current Issues

General Fund appropriations increased by 5 percent in fiscal year 2008.

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Debra A. Meyer, Treasurer, 901 East Monroe Street, New Bremen, Ohio 45869.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,367,873</u>
Net Assets	
Restricted for:	
Debt Service	579,016
Capital Projects	160,701
Other Purposes	92,017
Setasides	60,415
Unrestricted	<u>3,475,724</u>
Total Net Assets	<u><u>\$4,367,873</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Cash Receipts			Capital Grants and Contributions	Net (Disbursements) Receipts and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest		
Governmental Activities					
Instruction:					
Regular	\$3,837,873	\$53,101	\$91,623	\$96,444	(\$3,596,705)
Special	369,431		382,173		12,742
Vocational	274,405	16,094	36,340		(221,971)
Support Services:					
Pupils	336,601		9,150		(327,451)
Instructional Staff	345,799				(345,799)
Board of Education	27,625				(27,625)
Administration	733,341				(733,341)
Fiscal	228,944				(228,944)
Operation and Maintenance of Plant	884,854				(884,854)
Pupil Transportation Central	142,759 47,300	12,832	7,977	4,212	(117,738) (47,300)
Non-instructional Services	286,428	218,372	37,504		(30,552)
Extracurricular Activities	386,239	197,019	4,370		(184,850)
Capital Outlay	95,657				(95,657)
Debt Service:					
Principal Retirement	560,000				(560,000)
Interest and Fiscal Charges	228,794				(228,794)
Total Governmental Activities	\$8,786,050	\$497,418	\$569,137	\$100,656	(7,618,839)
General Receipts					
Property Taxes Levied for:					
General Purposes					2,835,721
Debt Service					794,304
Permanent Improvements					93,381
Income Taxes					1,184,992
Grants and Entitlements Not Restricted to Specific Programs					3,962,096
Interest					212,952
Miscellaneous					10,092
Sale of Capital Assets					3,350
Total General Receipts					9,096,888
Change in Net Assets					1,478,049
Net Assets at Beginning of Year					2,889,824
Net Assets at End of Year					\$4,367,873

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,475,724	\$579,016	\$245,914	\$4,300,654
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	67,219			67,219
Total Assets	<u>3,542,943</u>	<u>579,016</u>	<u>245,914</u>	<u>4,367,873</u>
Fund Balances				
Reserve for Textbooks	60,415			60,415
Reserved for Bus Purchases	6,804			6,804
Reserved for Encumbrances	2,114		57,288	59,402
Unreserved, Reported in				
General Fund	3,473,610			3,473,610
Special Revenue Funds			77,308	77,308
Debt Service Fund		579,016		579,016
Capital Projects Funds			111,318	111,318
Total Fund Balances	<u>\$3,542,943</u>	<u>\$579,016</u>	<u>\$245,914</u>	<u>\$4,367,873</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Bond Retirement	Other Governmental	Total
Cash Receipts				
Property Taxes	\$2,835,721	\$794,304	\$93,381	\$3,723,406
Income Taxes	1,184,992			1,184,992
Intergovernmental	4,010,660	197,767	300,484	4,508,911
Interest	196,651	12,907	5,323	214,881
Tuition and Fees	81,744			81,744
Charges for Services	283		218,372	218,655
Extracurricular Activities			197,019	197,019
Gifts and Donations			121,049	121,049
Miscellaneous	9,232		860	10,092
Total Cash Receipts	<u>8,319,283</u>	<u>1,004,978</u>	<u>936,488</u>	<u>10,260,749</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	3,765,962		71,911	3,837,873
Special	193,410		176,021	369,431
Vocational	274,405			274,405
Support Services:				
Pupils	325,067		11,534	336,601
Instructional Staff	345,799			345,799
Board of Education	27,625			27,625
Administration	731,578		1,763	733,341
Fiscal	207,051	19,538	2,355	228,944
Operation and Maintenance of Plant	802,373		82,481	884,854
Pupil Transportation	142,759			142,759
Central	47,300			47,300
Non-instructional Services			286,428	286,428
Extracurricular Activities	188,829		197,410	386,239
Capital Outlay			95,657	95,657
Debt Service:				
Principal Retirement		560,000		560,000
Interest and Fiscal Charges		228,794		228,794
Total Cash Disbursements	<u>7,052,158</u>	<u>808,332</u>	<u>925,560</u>	<u>8,786,050</u>
Excess of Receipts Over (Under) Disbursements	1,267,125	196,646	10,928	1,474,699
Other Financing Sources (Uses)				
Sale of Capital Assets	3,350			3,350
Advances In			2,500	2,500
Advances Out	(2,500)			(2,500)
Transfers In	2,707		32,707	35,414
Transfers Out	(32,707)		(2,707)	(35,414)
Total Other Financing Sources (Uses)	<u>(29,150)</u>		<u>32,500</u>	<u>3,350</u>
Changes in Fund Balances	1,237,975	196,646	43,428	1,478,049
Fund Balances at Beginning of Year	<u>2,304,968</u>	<u>382,370</u>	<u>202,486</u>	<u>2,889,824</u>
Fund Balances at End of Year	<u>\$3,542,943</u>	<u>\$579,016</u>	<u>\$245,914</u>	<u>\$4,367,873</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,393,800	\$2,751,588	\$2,835,721	\$84,133
Income Taxes	1,090,000	1,090,000	1,184,992	94,992
Intergovernmental	4,019,806	3,896,491	4,010,660	114,169
Interest	115,000	115,000	198,611	83,611
Tuition and Fees	83,000	83,000	81,744	(1,256)
Charges for Services			283	283
Miscellaneous	6,000	6,000	9,232	3,232
Total Receipts	<u>7,707,606</u>	<u>7,942,079</u>	<u>8,321,243</u>	<u>379,164</u>
Disbursements				
Current:				
Instruction:				
Regular	3,975,532	3,872,354	3,760,614	111,740
Special	179,683	199,683	193,410	6,273
Vocational	264,015	275,632	274,405	1,227
Other	8,344	8,344	5,348	2,996
Support Services:				
Pupils	341,826	352,826	325,067	27,759
Instructional Staff	338,167	346,938	345,799	1,139
Board of Education	48,800	37,800	27,625	10,175
Administration	740,826	740,826	732,008	8,818
Fiscal	179,275	208,975	207,051	1,924
Operation and Maintenance of Plant	869,147	869,147	804,057	65,090
Pupil Transportation	162,197	162,197	142,759	19,438
Central	46,750	47,302	47,300	2
Extracurricular Activities	167,495	188,833	188,829	4
Total Disbursements	<u>7,322,057</u>	<u>7,310,857</u>	<u>7,054,272</u>	<u>256,585</u>
Excess of Receipts				
Under Disbursements	385,549	631,222	1,266,971	635,749
Other Financing Uses				
Sale of Capital Assets			3,350	3,350
Other Financing Uses	(8,000)	(8,000)		8,000
Advances Out		(2,500)	(2,500)	
Transfers In	142,000	1,082	2,707	1,625
Transfers Out	(165,000)	(32,782)	(32,707)	75
Total Other Financing Uses	<u>(31,000)</u>	<u>(42,200)</u>	<u>(29,150)</u>	<u>13,050</u>
Changes in Fund Balance	354,549	589,022	1,237,821	648,799
Fund Balance at Beginning of Year	2,282,185	2,282,185	2,282,185	
Prior Year Encumbrances Appropriated	20,823	20,823	20,823	
Fund Balance at End of Year	<u>\$2,657,557</u>	<u>\$2,892,030</u>	<u>\$3,540,829</u>	<u>\$648,799</u>

See accompanying notes to the basic financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,300</u>	<u>\$19,447</u>
Liabilities		
Held for Students		17,310
Held for Staff		2,137
Total Liabilities		<u>\$19,447</u>
Net Assets		
Endowments	10,000	
Held in Trust for Scholarships	300	
Total Net Assets	<u>\$10,300</u>	

See accompanying notes to the basic financial statements.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS - FIDUCIARY FUND
FOR A THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$437
Deductions:	
Non-instructional Services	<u>450</u>
Change in Net Assets	(13)
Net Assets at Beginning of Year	<u>10,313</u>
Net Assets at End of Year	<u><u>\$10,300</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately thirty-six square miles. It is located in Auglaize and Mercer Counties. The School District is the 499th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty certified teaching personnel, and five administrative employees who provide services to 923 students and other community members. The School District currently operates two instructional buildings.

A. Reporting Entity

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

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

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Auglaize County Educational Academy, Auglaize County Special Needs School, Ohio School Plan, Mercer Auglaize School Employee Benefit Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the school improvement general obligation bonds.

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

2. Fiduciary Funds

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

The legal level of control selected by the Board is the fund and function level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

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

During fiscal year 2007, the School District invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, and STAR Ohio. 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 June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$196,651, which included \$4,632, was assigned from other School District funds.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions and enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials as well as unexpended receipts restricted for bus purchases.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. The School District did not have any net assets restricted by enabling legislation at June 30, 2007. The School District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for textbooks, bus purchases, and encumbrances.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

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

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

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

3 DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3 DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Cash on Hand - At year end, the School district had \$150 in cash on hand which is included as part of cash and cash equivalents.

Deposits – Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of deposits was \$60,983 and the bank balance was \$113,269 which was not subject to custodial risk because deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC)

Investments - As of June 30, 2007, the School District had the following investments.

	Total	Less Than Six Months	Six Months To One Year	One Year to Two Years	More Than Two Years
Negotiable Certificates of Deposit	\$ 396,000	\$ 99,000	\$99,000	\$198,000	
Federal Farm Credit Bank Notes	100,000				\$100,000
Federal Home Loan Bank Notes	450,000				450,000
Federal Home Loan Mortgage Corporation Notes	298,000			98,000	200,000
Federal National Mortgage Association Notes	200,000				200,000
STAR Ohio	2,892,487	2,892,487			
Total	\$4,336,487	\$2,991,487	\$99,000	\$296,000	\$950,000

The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the Career Center. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The negotiable certificates of deposit are insured by the FDIC. The Federal Farm Credit Bank Notes, Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3 DEPOSITS AND INVESTMENTS (Continued)

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

	Carrying Value	Percentage of Portfolio
Federal Farm Credit Bank Notes	\$100,000	2.31%
Federal Home Loan Bank Notes	450,000	10.38%
Federal Home Loan Mortgage Corporation Notes	298,000	6.87%
Federal National Mortgage Association Notes	200,000	4.61%

4. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after October 1, 2006, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. PROPERTY TAXES (Continued)

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Shelby, and Mercer Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$ 83,587,020	82.21%	\$84,847,920	84.99%
Public Utility	2,010,460	1.98%	1,951,030	1.95%
Tangible Personal	16,082,394	15.81%	13,036,960	13.06%
Total Assessed Value	<u>\$101,679,874</u>	<u>100.00%</u>	<u>\$99,835,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.55		\$51.55	

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 1,025,092			\$1,025,092
Depreciable Capital Assets				
Land Improvements	671,539			671,539
Buildings and Building Improvements	13,057,850			13,057,850
Improvements Other Than Buildings	790,798	\$ 7,423		798,221
Furniture, Fixtures, and Equipment	970,047	5,123		975,170
Vehicles	474,523		(\$5,500)	469,023
Total Depreciable Capital Assets	<u>15,964,757</u>	<u>12,546</u>	<u>(5,500)</u>	<u>15,971,803</u>
Governmental Activities Capital Assets	<u>\$16,989,849</u>	<u>\$12,546</u>	<u>(\$5,500)</u>	<u>\$16,996,895</u>

7. INTERFUND ACTIVITY

During fiscal year 2007, the School District made a cash advance to the other governmental funds, in the amount of \$2,500, to provide cash flow resources until the receipt of grant monies. This advance was not repaid prior to fiscal year end.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Excess Liability	2,000,000
Automobile Liability	1,000,000

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	31,136,936
-----------------------	------------

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

For fiscal year 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

9. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$460,770, \$462,342, and \$450,862, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$5,059 made by the School District and \$9,017 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$88,301, \$83,296, and \$75,826, respectively; 45 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$35,833.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge amount is capped at 2 percent of the School District's salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$40,017 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefit

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
1991 Elementary Addition 6.55%	\$ 400,000		\$ 50,000	\$ 350,000	\$ 50,000
2005 Refunding School Improvement					
Serial Bonds 2.5 - 5.00%	5,885,000		510,000	5,375,000	545,000
Capital Appreciation Bonds 23.277%	<u>282,996</u>			<u>282,996</u>	
Total General Obligation Bonds	<u>\$6,567,996</u>	<u>\$0</u>	<u>\$560,000</u>	<u>\$6,007,996</u>	<u>\$595,000</u>

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

School Improvement Refunding General Obligation Bonds - On February 1, 2005, the School District issued \$6,692,996 in general obligation bonds to refund bonds previously issued for constructing and equipping a new high school building and repairing the elementary school building. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$6,410,000 and \$282,996, respectively. The bonds were issued for a fourteen year period, with final maturity in fiscal year 2019. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.0 mill voted property tax levy.

The serial bonds maturing after December 1, 2015, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption.

The capital appreciation bonds are not subject to early redemption. The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount for the bonds is \$1,930,000.

At June 30, 2007, \$5,657,996 of the refunded bonds were still outstanding.

The School District's overall debt margin was \$2,208,471 with an unvoted debt margin of \$84,861 at June 30, 2007.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$595,000	\$211,693	\$0	\$0
2009	615,000	194,544	0	0
2010	635,000	175,065	0	0
2011	655,000	152,819	0	0
2012	675,000	130,338	0	0
2013-2017	1,410,000	518,350	282,996	1,647,004
2018-2019	1,140,000	50,750	0	0
Totals	\$5,725,000	\$1,433,559	\$282,996	\$1,647,004

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

13. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	\$68,028	(\$6,965,332)
Current Year Set Aside Requirement	140,918	140,918
Qualifying Expenditures	(148,531)	
Current Year Offsets		(93,381)
Balance June 30, 2007	\$60,415	(\$6,917,795)

The School District had prior balances and current year offsets during the fiscal year that reduced the capital improvements setaside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

14. INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers other governmental funds, in the amount of \$32,707, to subsidize the activities of other funds. Other governmental funds made transfers to the General Fund, in the amount of \$2,707, to close those funds.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of \$10,000, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$300 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

16. JOINTLY GOVERNED ORGANIZATIONS

A. West Central Ohio Regional Professional Development Center

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

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

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

C. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2007, the School District paid \$67,039 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

E. Auglaize County Special Needs School

The School District is a participant in the Auglaize County Special Needs School (ACSNS), which is a community school. The ACSNS is an association of the school districts within Auglaize County to provide a special education program for kindergarten through twelfth grade students with multiple handicapped, emotionally disturbed, or autistic needs. The governing board of the ACSNS consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

17. INSURANCE POOLS

A. Ohio School Plan

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

B. Mercer Auglaize School Employee Benefit Trust

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from James Mauntler; JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. INSURANCE POOLS (Continued)

C. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by the five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, (the School District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 2, 2009, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District'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 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 School District'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 the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the School District's management in a separate letter dated April 2, 2009.

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the School District's management in a separate letter dated April 2, 2009.

We intend this report solely for the information and use of management and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 2, 2009



Mary Taylor, CPA
Auditor of State

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009