



Mary Taylor, CPA
Auditor of State

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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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, 2006 and 2005, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

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 modified 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 modified 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, 2006 and 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2007, 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

March 27, 2007

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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, 2006, within the limitations of modified cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2006 are as follows:

- Net assets increased, in the amount of \$380,206, or 15 percent. The School District has continued to control the cost of operations while accumulating the benefit of the 1 percent income tax that began collection in January 2005. The income tax is for a five-year period for general operations. The School District received four quarters of the income tax in fiscal year 2006 compared to only one quarter in fiscal year 2005.
- During fiscal year 2006, a negotiated agreement was adopted for certified employees which increased the salary base by 1.5 percent in fiscal year 2006 and 2 percent in fiscal year 2007.
- The employee health insurance premium contribution for fiscal year 2006 increased to 10 percent of the PPO plan, which is approximately double the contribution in fiscal year 2005. Health care premiums did not increase in January 2006; however, dental premiums increased 2 percent and prescription drug premiums increased 8 percent.

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 modified cash basis of accounting.

The School District has elected to present its financial statements on a modified 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 modified 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 modified 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 modified 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 the School District, the General Fund and Bond Retirement debt service fund are the most significant funds.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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 2006, within the limitations of modified 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.

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 the modified 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

**Table 1
Net Assets**

	Governmental Activities	
	2006	2005
Assets:		
Cash and Cash Equivalents	\$2,889,824	\$2,509,618
Net Assets:		
Restricted	655,476	711,520
Unrestricted	2,234,348	1,798,098
Total Net Assets	\$2,889,824	\$2,509,618

Total net assets increased \$380,206, or 15 percent. The primary reasons contributing to the increase in cash balances are as follows:

- The School District received four quarters of the school district income tax that began collections on January 1, 2005.
- The negotiated union agreement with certified employees increased the employee's share of the health care premium while total health care premiums remained the same.

Table 2 reflects the change in net assets for fiscal year 2006 compared with fiscal year 2005.

**Table 2
Change in Net Assets**

	2006	2005
Receipts:		
Program Receipts		
Charges for Services	\$554,119	\$540,178
Operating Grants, Contributions, and Interest	656,528	548,985
Capital Grants and Contributions	129,053	68,146
Total Program Receipts	1,339,700	1,157,309
General Receipts		
Property Taxes Levied for General Purposes	2,390,978	2,596,381
Property Taxes Levied for Debt Service	722,890	770,591
Property Taxes Levied for Permanent Improvements	83,163	88,300
Income Taxes	789,355	58,411
Grants and Entitlements	3,626,823	3,573,759
Interest	109,645	54,236
Miscellaneous	36,244	38,715
Refunding Bonds Issued		6,692,996
Premium on Refunding Bonds Issued		1,282,134
Accrued Interest on Refunding Bonds Issued		8,725
Total General Receipts	7,759,098	15,164,248
Total Receipts	9,098,798	16,321,557

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

Disbursements:	<u>2006</u>	<u>2005</u>
Instruction:		
Regular	\$3,732,477	\$3,633,864
Special	341,352	283,568
Vocational	265,121	291,790
Support Services:		
Pupils	279,636	332,906
Instructional Staff	347,782	293,966
Board of Education	45,343	44,666
Administration	703,732	669,579
Fiscal	175,235	171,947
Operation and Maintenance of Plant	916,187	746,046
Pupil Transportation	196,590	169,128
Central	45,749	42,535
Non instructional Services	278,747	283,993
Extracurricular Activities	378,166	367,083
Capital Outlay	191,831	106,861
Debt Service:		
Principal Retirement	575,000	430,000
Interest and Fiscal Charges	245,644	276,708
Issuance Costs		117,907
Payment to Refunding Bond Escrow Agent		7,855,583
Total Disbursements	<u>8,718,592</u>	<u>16,118,130</u>
Increase in Net Assets	380,206	203,427
Net Assets at Beginning of Year	<u>2,509,618</u>	<u>2,306,191</u>
Net Assets at End of Year	<u>\$2,889,824</u>	<u>\$2,509,618</u>

Program receipts represent almost 15 percent of total receipts and remained very comparable to the prior fiscal year.

General receipts represent 85 percent of the School District's total receipts. The School District received four quarters distribution of the school income tax levy that was passed in fiscal year 2005. During fiscal year 2006, the School District refunded \$210,792 from the October 2005 tangible personal property tax settlement to Milk Marketing for an overpayment of tangible personal property taxes by the company in 1994 and 1995; thereby, causing a decrease in property tax receipts during the current fiscal year. This refund was allocated by the County Auditor between all funds receiving property tax receipts. The School District received more interest receipts from rising interest rates.

The instruction program disbursements accounted for 50 percent of all disbursements. Other programs which support the instruction process including pupils, instructional staff, pupil transportation, and central account for approximately 10 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 11 percent of program costs.

Vocational instruction disbursements decreased from a change in the billing calculation by the Tri Star Compact.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Costs associated with pupil support services decreased from less students attending special education classes at the Auglaize County Educational Service Center. Instructional staff support services disbursements increased from large library purchases and employing an aide for the Learning Lab. Legal fees associated with union negotiations and general liability insurance increased in fiscal year 2006 which increased disbursements within the administration support services program.

During fiscal year 2006, the School District brought back summer help custodians, along with one part-time custodian in the operations and maintenance of plant support services. These positions had been cut in fiscal year 2005.

The School District purchased a new school bus during fiscal year 2006 within transportation support services. However, actual operating costs for pupil transportation decreased during fiscal year 2006. Within fiscal year 2005, the School District disbursed two fiscal year's of transportation costs for special education to Auglaize County Educational Service Center.

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**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Instruction:				
Regular	\$3,732,477	\$3,633,864	\$3,394,859	\$3,419,892
Special	341,352	283,568	(89,215)	(65,086)
Vocational	265,121	291,790	216,043	229,711
Support Services:				
Pupils	279,636	332,906	274,636	324,725
Instructional Staff	347,782	293,966	347,782	293,966
Board of Education	45,343	44,666	45,343	44,666
Administration	703,732	669,579	703,732	669,579
Fiscal	175,235	171,947	175,235	171,947
Operation and Maintenance of Plant	916,187	746,046	916,187	740,746
Pupil Transportation	196,590	169,128	173,399	143,119
Central	45,749	42,535	45,749	42,535
Non instructional Services	278,747	283,993	12,832	9,113
Extracurricular Activities	378,166	367,083	149,835	148,849
Capital Outlay	191,831	106,861	191,831	106,861
Debt Service:				
Principal Retirement	575,000	430,000	575,000	430,000
Interest and Fiscal Charges	245,644	276,708	245,644	276,708
Issuance Costs		117,907		117,907
Payment to Refunding Bond Escrow Agent		7,855,583		7,855,583
Total Disbursements	<u>\$8,718,592</u>	<u>\$16,118,130</u>	<u>\$7,378,892</u>	<u>\$14,960,821</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The most significant activity during fiscal year 2005 was associated with the refinancing of the 1997 school improvement general obligation bonds. The total cost of debt service was either financed through property taxes levied specifically for the retirement of debt or the issuance of the school improvement refunding general obligation bonds. Approximately 15 percent of cost of services continues to be financed through user charges and grants awarded for specific programs in fiscal year 2006. The remaining 85 percent of total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

Special instruction activities are largely provided for through operating grants. The most significant program receipts are associated with food service (non instructional) 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 modified cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund. Due to the reduction in staffing levels and the change in health plans in the past fiscal years, along with the collection of four quarters of income tax revenue in fiscal year 2006, the School District had a positive excess of revenues over expenditures, in the amount of \$435,137 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.

For the General Fund, final budgeted revenues, in the amount of \$6,897,490, did not change from original budgeted revenues. The change from final budgeted revenues to actual revenues received, in the amount of \$400,211, occurred from slightly higher than expected property tax revenues, foundation revenues, and interest revenues.

Final expenditures were budgeted at \$7,142,688 while actual expenditures were \$6,881,785. The School District was able to reduce spending for all programs resulting in an almost 4 percent reduction from budgeted amounts.

Current Issues

General Fund appropriations increased by 4.7 percent in fiscal year 2007. Staff levels were reduced by replacing one and one-half teaching positions with one person, replacing a certified librarian with an aide, reducing a full-time vocational teacher to .75 time, and employing two employees at lower per diem rates into positions left from two retirements. Health care, prescription drug, and dental premiums increased 18 percent, 11 percent, and 5 percent, respectively, in January 2007. The employee premium contribution remained at 10 percent.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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.

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NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,889,824</u>
Net Assets	
Restricted for:	
Debt Service	382,370
Capital Projects	129,176
Other Purposes	75,902
Setasides	68,028
Unrestricted	<u>2,234,348</u>
Total Net Assets	<u><u>\$2,889,824</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Program Cash Receipts</u>			<u>Governmental Activities</u>	<u>Net (Disbursements) Receipts and Change in Net Assets</u>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>		
Governmental Activities					
Instruction:					
Regular	\$3,732,477	\$65,609	\$145,641	\$126,368	(\$3,394,859)
Special	341,352	22,389	408,178		89,215
Vocational	265,121	4,468	44,517	93	(216,043)
Support Services:					
Pupils	279,636		5,000		(274,636)
Instructional Staff	347,782				(347,782)
Board of Education	45,343				(45,343)
Administration	703,732				(703,732)
Fiscal	175,235				(175,235)
Operation and Maintenance of Plant	916,187				(916,187)
Pupil Transportation	196,590	9,364	11,235	2,592	(173,399)
Central	45,749				(45,749)
Noninstructional Services	278,747	225,065	40,850		(12,832)
Extracurricular Activities	378,166	227,224	1,107		(149,835)
Capital Outlay	191,831				(191,831)
Debt Service:					
Principal Retirement	575,000				(575,000)
Interest and Fiscal Charges	245,644				(245,644)
Total Governmental Activities	<u>\$8,718,592</u>	<u>\$554,119</u>	<u>\$656,528</u>	<u>\$129,053</u>	<u>(7,378,892)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	2,390,978
Debt Service	722,890
Permanent Improvements	83,163
Income Taxes	789,355
Grants and Entitlements Not Restricted to Specific Programs	3,626,823
Interest	109,645
Miscellaneous	36,244
Total General Receipts	<u>7,759,098</u>
Change in Net Assets	380,206
Net Assets at Beginning of Year	<u>2,509,618</u>
Net Assets at End of Year	<u>\$2,889,824</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,234,348	\$382,370	\$202,486	\$2,819,204
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	70,620			70,620
Total Assets	<u>2,304,968</u>	<u>382,370</u>	<u>202,486</u>	<u>2,889,824</u>
Fund Balances				
Reserve for Textbooks	68,028			68,028
Reserved for Bus Purchases	2,592			2,592
Reserved for Encumbrances	20,823		58,641	79,464
Unreserved, Reported in				
General Fund	2,213,525			2,213,525
Special Revenue Funds			73,310	73,310
Debt Service Fund		382,370		382,370
Capital Projects Funds			70,535	70,535
Total Fund Balances	<u>\$2,304,968</u>	<u>\$382,370</u>	<u>\$202,486</u>	<u>\$2,889,824</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
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts				
Property Taxes	\$2,390,978	\$722,890	\$83,163	\$3,197,031
Income Taxes	789,355			789,355
Intergovernmental	3,768,778	115,817	297,421	4,182,016
Interest	106,648		4,262	110,910
Tuition and Fees	101,830			101,830
Charges for Services			225,065	225,065
Extracurricular Activities			227,224	227,224
Gifts and Donations	102,755		126,368	229,123
Miscellaneous	35,755		489	36,244
Total Receipts	<u>7,296,099</u>	<u>838,707</u>	<u>963,992</u>	<u>9,098,798</u>
Disbursements				
Current:				
Instruction:				
Regular	3,693,484		38,993	3,732,477
Special	142,646		198,706	341,352
Vocational	265,121			265,121
Support Services:				
Pupils	275,482		4,154	279,636
Instructional Staff	325,013		22,769	347,782
Board of Education	39,984		5,359	45,343
Administration	703,446		286	703,732
Fiscal	158,336	15,154	1,745	175,235
Operation and Maintenance of Plant	860,374		55,813	916,187
Pupil Transportation	196,590			196,590
Central	45,749			45,749
Noninstructional Services			278,747	278,747
Extracurricular Activities	154,737		223,429	378,166
Capital Outlay			191,831	191,831
Debt Service:				
Principal Retirement		575,000		575,000
Interest and Fiscal Charges		245,644		245,644
Total Disbursements	<u>6,860,962</u>	<u>835,798</u>	<u>1,021,832</u>	<u>8,718,592</u>
Excess of Receipts Over (Under) Disbursements	435,137	2,909	(57,840)	380,206
Other Financing Sources (Uses)				
Transfers In			24,056	24,056
Transfers Out	(20,556)		(3,500)	(24,056)
Total Other Financing Sources (Uses)	<u>(20,556)</u>		<u>20,556</u>	
Changes in Fund Balances	414,581	2,909	(37,284)	380,206
Fund Balances at Beginning of Year	<u>1,890,387</u>	<u>379,461</u>	<u>239,770</u>	<u>2,509,618</u>
Fund Balances at End of Year	<u><u>\$2,304,968</u></u>	<u><u>\$382,370</u></u>	<u><u>\$202,486</u></u>	<u><u>\$2,889,824</u></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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$2,341,101	\$2,341,101	\$2,390,978	\$49,877
Income Taxes	872,000	872,000	789,355	(82,645)
Intergovernmental	3,465,167	3,465,167	3,768,778	303,611
Interest	55,000	55,000	108,250	53,250
Tuition and Fees	91,769	91,769	101,830	10,061
Charges for Services	3,500	3,500		(3,500)
Gifts and Donations	63,580	63,580	102,755	39,175
Miscellaneous	5,373	5,373	35,755	30,382
Total Receipts	<u>6,897,490</u>	<u>6,897,490</u>	<u>7,297,701</u>	<u>400,211</u>
Disbursements				
Current:				
Instruction:				
Regular	3,712,295	3,750,685	3,701,232	49,453
Special	177,228	177,228	142,646	34,582
Vocational	249,274	286,708	265,121	21,587
Other	84,000	18,000	13,075	4,925
Support Services:				
Pupils	361,734	361,734	275,482	86,252
Instructional Staff	342,014	342,014	325,013	17,001
Board of Education	47,800	47,800	39,984	7,816
Administration	706,382	706,385	703,446	2,939
Fiscal	156,279	158,519	158,336	183
Operation and Maintenance of Plant	856,736	867,286	860,374	6,912
Pupil Transportation	246,784	224,593	196,590	28,003
Central	45,200	45,749	45,749	
Extracurricular Activities	155,987	155,987	154,737	1,250
Total Disbursements	<u>7,141,713</u>	<u>7,142,688</u>	<u>6,881,785</u>	<u>260,903</u>
Excess of Receipts Over (Under) Disbursements	(244,223)	(245,198)	415,916	661,114
Other Financing Uses				
Other Financing Uses	(2,000)	(8,000)		8,000
Transfers Out	(37,000)	(20,600)	(20,556)	44
Total Other Financing Uses	<u>(39,000)</u>	<u>(28,600)</u>	<u>(20,556)</u>	<u>8,044</u>
Changes in Fund Balance	(283,223)	(273,798)	395,360	669,158
Fund Balance at Beginning of Year	1,878,529	1,878,529	1,878,529	
Prior Year Encumbrances Appropriated	<u>8,296</u>	<u>8,296</u>	<u>8,296</u>	
Fund Balance at End of Year	<u><u>\$1,603,602</u></u>	<u><u>\$1,613,027</u></u>	<u><u>\$2,282,185</u></u>	<u><u>\$669,158</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,313	\$23,400
Net Assets		
Endowments	10,000	
Held for Students		21,276
Held for Staff		2,124
Held in Trust for Scholarships	313	
Total Net Assets	\$10,313	\$23,400

See accompanying notes to the basic financial statements.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
Additions	
Interest	\$400
Deductions	
Noninstructional Services	<u>450</u>
Change in Net Assets	(50)
Net Assets at Beginning of Year	<u>10,363</u>
Net Assets at End of Year	<u><u>\$10,313</u></u>

See accompanying notes to the basic financial statements.

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately thirty-six square miles. It is located in Auglaize and Mercer Counties. The School District is the 509th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-six classified employees, sixty-three certified teaching personnel, and five administrative employees who provide services to 942 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.

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 15 and 16 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, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified 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 modified 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 modified 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 modified 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 modified 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 modified 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, 2006
(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 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 2006, the School District invested in 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, 2006.

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 2006 was \$106,648, which included \$16,278, 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, 2006
(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 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 modified cash basis of accounting used by the School District.

I. Long-Term Obligations

Modified 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, 2006.

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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – (Budget Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis), and adjusted interest earnings from June 2006 which was not adjusted on the budget basis.

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

Change in Fund Balance	
Cash Basis	\$2,304,968
Encumbrances outstanding at June 30, 2006	(20,823)
Interest earnings adjustment	<u>(1,960)</u>
Budget Basis	<u><u>\$2,282,185</u></u>

4. DEPOSITS AND INVESTMENTS

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand - At June 30, 2006, the School District had \$200 in cash on hand.

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 June 30, 2006, the carrying amount of deposits was \$367,813 and the bank balance was \$467,201, of which \$365,601 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments - As of June 30, 2006, the School District had the following investments.

	Carrying Value	Market Value	Maturity
Negotiable Certificate of Deposit	\$ 99,000	\$ 98,569	October 16, 2006
Federal Home Loan Bank Bonds	148,031	148,641	November 15, 2006
Federal Home Loan Bank Bonds	197,258	198,126	November 22, 2006
Federal Home Loan Bank Bonds	98,705	98,750	December 18, 2006
Negotiable Certificate of Deposit	99,000	98,579	January 16, 2007
Federal Home Loan Mortgage Corporation Notes	99,312	99,138	January 26, 2007
Negotiable Certificate of Deposit	99,000	97,198	August 3, 2007
Federal Home Loan Mortgage Corporation Notes	98,000	96,285	December 30, 2008
Negotiable Certificate of Deposit	99,000	94,838	March 16, 2009
Federal National Mortgage Association Notes	200,000	195,500	December 28, 2009
STAR Ohio	1,318,218	1,318,218	34.8 Days Average
Total Investments	<u>\$2,555,524</u>	<u>\$2,543,842</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 School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The Federal Home Loan Bank Bonds, 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 Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes are insured by the SIPC up to \$500,000 per account, including \$100,000 in cash. The negotiable certificates of deposit are insured through FDIC.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. 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 Home Loan Bank Bonds	\$443,994	17.37%
Federal Home Loan Mortgage Corporation Notes	197,312	7.72
Federal National Mortgage Association Notes	200,000	7.83
Negotiable Certificates of Deposit	396,000	15.50
Star Ohio	1,318,218	51.58
Total	<u>\$2,555,524</u>	<u>100.00%</u>

5. 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.

6. 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 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, 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 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. PROPERTY TAXES (Continued)

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 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize 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, 2006, are available to finance fiscal year 2006 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 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$76,490,130	75.25%	\$83,587,020	82.21%
Public Utility	2,499,840	2.46%	2,010,460	1.98%
Tangible Personal	22,660,774	22.29%	16,082,394	15.81%
Total Assessed Value	<u>\$101,650,744</u>	<u>100.00%</u>	<u>\$101,679,874</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$52.15		\$51.55	

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 2006, 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
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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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

For fiscal year 2006, 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.

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2006, 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, 2006, 2005, and 2004 was \$462,342, \$450,862, and \$451,556, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$4,540 made by the School District and \$8,245 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. 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, 2006, 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 2006 was 14 percent of annual covered payroll; 10.58 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, 2006, 2005, and 2004 were \$83,296, \$75,826, and \$67,443, respectively; 47 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

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, 2006, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. POSTEMPLOYMENT 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 2006, 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 \$35,914.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 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.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$38,783 for fiscal year 2006.

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, 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.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

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

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 \$10,000.

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

Governmental Activities	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06	Due Within One Year
General Obligation Bonds					
1991 Elementary Addition - 6.55%	\$450,000	\$0	\$50,000	\$400,000	\$50,000
2005 Refunding School Improvement					
Serial Bonds 2.5 - 5.00%	6,410,000	0	525,000	5,885,000	510,000
Capital Appreciation Bonds - 23.28%	282,996	0	0	282,996	
Total General Obligation Bonds	<u>\$7,142,996</u>	<u>\$0</u>	<u>\$575,000</u>	<u>\$6,567,996</u>	<u>\$560,000</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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

At June 30, 2006, \$6,167,996 of the refunded bonds was still outstanding.

The School District's overall debt margin was \$1,338,356 with an unvoted debt margin of \$83,600 at June 30, 2006.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2007	\$560,000	\$228,794	\$0	\$0
2008	595,000	211,693		
2009	615,000	194,544		
2010	635,000	175,065		
2011	655,000	152,819		
2012-2016	1,420,000	575,894	282,996	1,647,004
2017-2019	1,805,000	123,544		
Totals	<u>\$6,285,000</u>	<u>\$1,662,353</u>	<u>\$282,996</u>	<u>\$1,647,004</u>

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

12. 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 modified cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	Capital	
	Textbooks	Improvements
Balance June 30, 2005	\$49,329	(\$7,022,317)
Current Year Set Aside Requirement	140,148	140,148
Qualifying Expenditures	(121,449)	
Current Year Offsets		(83,163)
Balance June 30, 2006	<u>\$68,028</u>	<u>(\$6,965,332)</u>
Amount Carried Forward to Fiscal Year 2007	<u>\$68,028</u>	<u>(\$6,965,332)</u>

The School District had qualifying expenditures during previous fiscal years that reduced the capital improvements set aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. INTERFUND TRANSFERS

During fiscal year 2006, the General Fund made transfers other governmental funds, in the amount of \$20,556, to subsidize the activities of other funds. Other governmental funds made transfers to other governmental funds, in the amount of \$3,500, to subsidize the activities of other funds.

14. 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 earned interest on donor restricted investments that is available for expenditures by the School District is \$313 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.

15. 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 Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2006, the School District paid \$75,394 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

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.

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, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

16. INSURANCE POOLS (Continued)

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.

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, 2006.

B. Litigation

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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, 2005, within the limitations of modified cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2005 are as follows:

- In fiscal year 2004, a negotiated agreement was adopted for certified employees which increased the salary base by 2.5 percent in fiscal year 2004 and fiscal year 2005 and added a step increase after 28 years of service for certified employees with a Masters Degree or above to the top of the pay scale.
- An agreement was reached to adopt a new PPO insurance plan effective in February 2004. As of January 2005, 100 percent of the employees chose to change to the new insurance plan. The plan saved approximately \$130,000 in fiscal year 2004 and an additional \$100,000 in fiscal year 2005. The employee premium contribution doubled to \$45 per month and in fiscal year 2006 will increase to 10 percent of the PPO plan (which again doubles the employee's premium contribution). Medical premium costs did not increase in January 2005. However, dental premium costs increased 8 percent and prescription drug premiums increased 20 percent.
- The voters approved a 1 percent income tax to begin collection on January 1, 2005. The income tax is for a five-year period for general operations. The income tax is expected to generate \$872,000 per fiscal year. The first quarterly payment was received through the Ohio Department of Taxation in fiscal year 2005, in the amount of \$58,411.
- During fiscal year 2005, the School District refunded the 1997 school improvement general obligation bonds in order to reduce interest costs over the remaining fourteen years. Refunding bonds, in the amount of \$6,692,996, were issued to refund \$6,693,864 in outstanding general obligation bonds. The refunding resulted in an increase in cash flows, in the amount of \$391,846, and an economic gain, in the amount of \$315,476.
- Tangible personal property tax revenues have fluctuated since fiscal year 2003. In fiscal year 2004, the School District received \$247,000 less than the amount received in fiscal year 2003; however, in fiscal year 2005 the School District received \$102,000 more than the amount received in fiscal year 2004. These fluctuations were due to decreases and increases in the inventory valuation of a large manufacturing company located in the School District.

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 modified cash basis of accounting.

The School District has elected to present its financial statements on a modified 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 modified cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

As a result of using the modified 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 modified 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 the 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 2005, within the limitations of the modified 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.

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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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 the 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 the modified 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 2005 and fiscal year 2004:

	Table 1	
	Net Assets	
	Governmental Activities	
	2005	2004
Assets:		
Cash and Cash Equivalents	\$2,509,618	\$2,306,191
Net Assets:		
Restricted	\$711,520	\$448,599
Unrestricted	1,798,098	1,857,592
Total Net Assets	<u><u>\$2,509,618</u></u>	<u><u>\$2,306,191</u></u>

Total net assets increased \$203,427, or 9 percent. The primary reasons contributing to the increase in cash balances are as follows:

- The School District took steps in fiscal year 2005 to curb General Fund costs. One of the significant areas was a reduction in both certified and classified staff. Personnel was reduced by one third grade teacher, one-half kindergarten teacher, one part-time custodian, one bus driver, all summer custodial help, and two permanent substitute teachers.
- The School District also converted to a PPO health insurance plan for employees, which resulted in significant reductions in benefit costs.

Table 2 reflects the change in net assets for fiscal year 2005. Since the School District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts	
Charges for Services	\$540,178
Operating Grants, Contributions, and Interest	548,985
Capital Grants and Contributions	68,146
Total Program Receipts	1,157,309
General Receipts	
Property Taxes Levied for General Purposes	2,596,381
Property Taxes Levied for Debt Service	770,591
Property Taxes Levied for Permanent Improvements	88,300
Income Taxes	58,411
Grants and Entitlements	3,573,759
Interest	54,236
Miscellaneous	38,715
Refunding Bonds Issued	6,692,996
Premium on Refunding Bonds Issued	1,282,134
Accrued Interest on Refunding Bonds Issued	8,725
Total General Receipts	15,164,248
Total Receipts	16,321,557
Disbursements:	
Instruction:	
Regular	3,633,864
Special	283,568
Vocational	291,790
Support Services:	
Pupils	332,906
Instructional Staff	293,966
Board of Education	44,666
Administration	669,579
Fiscal	171,947
Operation and Maintenance of Plant	746,046
Pupil Transportation	169,128
Central	42,535
Non instructional Services	283,993
Extracurricular Activities	367,083
Capital Outlay	106,861
Debt Service:	
Principal Retirement	430,000
Interest and Fiscal Charges	276,708
Issuance Costs	117,907
Payment to Refunding Bond Escrow Agent	7,855,583
Total Disbursements	16,118,130
Increase in Net Assets	\$203,427

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The most significant receipt during fiscal year 2005 was from the issuance of the refunding general obligation bonds. Total receipts, in the amount of \$7,983,855, resulted from the issuance of principal, premiums mostly from the issuance of capital appreciation bonds, and accrued interest. These receipts totaled 49 percent of total receipts. Program receipts only represent 7 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, and extracurricular activities, and food service sales. Other general receipts represent 44 percent of the School District's total receipts, and, of this amount, almost 50 percent is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts. Other receipts, such as interest and miscellaneous receipts are very insignificant and somewhat unpredictable receipt sources.

A significant portion of total disbursements consisted of the refunding the 1997 school improvement general obligation bonds and debt payments in the amount of \$8,680,198. The instruction program disbursements accounted for 26 percent of all disbursements. Other programs which support the instruction process including pupils, instructional staff, pupil transportation, and central account for approximately 5 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 5 percent of program costs.

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
	2005	2005
Instruction:		
Regular	\$3,633,864	\$3,419,892
Special	283,568	(65,086)
Vocational	291,790	229,711
Support Services:		
Pupils	332,906	324,725
Instructional Staff	293,966	293,966
Board of Education	44,666	44,666
Administration	669,579	669,579
Fiscal	171,947	171,947
Operation and Maintenance of Plant	746,046	740,746
Pupil Transportation	169,128	143,119
Central	42,535	42,535
Non instructional Services	283,993	9,113
Extracurricular Activities	367,083	148,849
Capital Outlay	106,861	106,861
Debt Service:		
Principal Retirement	430,000	430,000
Interest and Fiscal Charges	276,708	276,708
Issuance Costs	117,907	117,907
Payment to Refunding Bond Escrow Agent	7,855,583	7,855,583
Total Disbursements	\$16,118,130	\$14,960,821

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The most significant activity during fiscal year 2005 was associated with the refinancing of the 1997 school improvement general obligation bonds. The total cost of debt service was either financed through property taxes levied specifically for the retirement of debt or the issuance of the school improvement refunding general obligation bonds. The balance of disbursements was \$7,437,932 in total cost of services and \$6,280,623 in net cost of services. These balances indicate that only 15 percent of the cost of services is financed through user charges and grants awarded for specific programs. The remaining 85 percent of total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

The most significant program receipts are associated with food service, sport-related, and trip charges 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 modified cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund. Due to the reduction in staffing levels and the change in health plans, along with the passage of the income tax, the School District had a small negative excess of revenues over expenditures, in the amount of \$4,281 in the General Fund.

The Bond Retirement debt service fund 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 2005, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$6,337,303, were only slightly above original budgeted revenues, in the amount of \$6,167,870, a change of less than 3 percent. The change from final budgeted revenues to actual revenues received, in the amount of \$257,554, occurred from slightly higher than expected property tax revenue, income tax revenue not estimated, and interest revenue from investing in more governmental agencies rather than STAR Ohio.

Final expenditures were budgeted at \$6,928,251 while actual expenditures were \$6,610,996. The School District was able to reduce spending for almost all programs resulting in an almost 5 percent reduction from budgeted amounts.

Actual General Fund revenues were less than expenditures by \$16,139. Passage of the School District income tax will help counter deficit spending in the future.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Debt Administration

Debt - During fiscal year 2005, the School District refunded \$6,693,864 in school improvement general obligation bonds by issuing school improvement refunding general obligation bonds, in the amount of \$6,692,996.

At June 30, 2005, the School District's outstanding debt included general obligation bonds, in the amount of \$7,142,996, issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

Current Issues

In fiscal year 2006, the School District refunded \$210,792 from the October 2005 tangible personal property taxes to Milk Marketing for an overpayment of tangible personal property taxes by the company in 1994 and 1995.

The School District finalized union negotiations for certified employees for a two-year period commencing retroactively to the beginning of the 2006 school year. The negotiations included salary increases of 1.5 percent for fiscal year 2006 and 2 percent for fiscal year 2007. No other modifications for benefits were included in the negotiations.

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.

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NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,509,618</u>
Net Assets	
Restricted for:	
Debt Service	379,461
Capital Projects	150,848
Other Purposes	131,882
Setasides	49,329
Unrestricted	<u>1,798,098</u>
Total Net Assets	<u><u>\$2,509,618</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,798,098	\$379,461	\$239,770	\$2,417,329
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	92,289			92,289
Total Assets	<u>1,890,387</u>	<u>379,461</u>	<u>239,770</u>	<u>2,509,618</u>
Fund Balances				
Reserve for Textbooks	49,329			49,329
Reserved for Bus Purchases	42,960			42,960
Reserved for Encumbrances	8,296		39,190	47,486
Unreserved, Reported in				
General Fund	1,789,802			1,789,802
Special Revenue Funds			65,702	65,702
Debt Service Fund		379,461		379,461
Capital Projects Funds			134,878	134,878
Total Fund Balances	<u>\$1,890,387</u>	<u>\$379,461</u>	<u>\$239,770</u>	<u>\$2,509,618</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
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Bond Retirement	Other Governmental	Total
Cash Receipts				
Property Taxes	\$2,596,381	\$770,591	\$88,300	\$3,455,272
Income Taxes	58,411			58,411
Intergovernmental	3,762,413	77,781	298,176	4,138,370
Interest	51,169		3,195	54,364
Tuition and Fees	89,195			89,195
Charges for Services	3,517		229,232	232,749
Extracurricular Activities			218,234	218,234
Gifts and Donations			52,392	52,392
Miscellaneous	37,333		1,382	38,715
Total Cash Receipts	6,598,419	848,372	890,911	8,337,702
Cash Disbursements				
Current:				
Instruction:				
Regular	3,580,967		52,897	3,633,864
Special	140,749		142,819	283,568
Vocational	291,790			291,790
Support Services:				
Pupils	327,726		5,180	332,906
Instructional Staff	287,241		6,725	293,966
Board of Education	39,422		5,244	44,666
Administration	669,491		88	669,579
Fiscal	154,093	16,016	1,838	171,947
Operation and Maintenance of Plant	739,242		6,804	746,046
Pupil Transportation	169,128			169,128
Central	42,535			42,535
Noninstructional Services			283,993	283,993
Extracurricular Activities	160,316		206,767	367,083
Capital Outlay			106,861	106,861
Debt Service:				
Principal Retirement		430,000		430,000
Interest and Fiscal Charges		276,708		276,708
Issuance Costs		117,907		117,907
Total Cash Disbursements	6,602,700	840,631	819,216	8,262,547
Excess of Receipts Over (Under) Disbursements	(4,281)	7,741	71,695	75,155
Other Financing Sources (Uses)				
Refunding Bonds Issued		6,692,996		6,692,996
Premium on Refunding Bonds Issued		1,282,134		1,282,134
Accrued Interest on Refunding Bonds Issued		8,725		8,725
Payment to Refunding Bond Escrow Agent		(7,855,583)		(7,855,583)
Transfers In			11,942	11,942
Transfers Out	(11,942)			(11,942)
Total Other Financing Sources (Uses)	(11,942)	128,272	11,942	128,272
Changes in Fund Balances	(16,223)	136,013	83,637	203,427
Fund Balances at Beginning of Year	1,906,610	243,448	156,133	2,306,191
Fund Balances at End of Year	\$1,890,387	\$379,461	\$239,770	\$2,509,618

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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over/(Under)
	Original	Final		
Receipts				
Property Taxes	\$2,385,120	\$2,552,053	\$2,596,381	\$44,328
Income Taxes			58,411	58,411
Intergovernmental	3,664,750	3,664,750	3,762,413	97,663
Interest	20,000	20,000	47,607	27,607
Tuition and Fees	87,000	89,500	89,195	(305)
Charges for Services			3,517	3,517
Miscellaneous	11,000	11,000	37,333	26,333
Total Receipts	6,167,870	6,337,303	6,594,857	257,554
Disbursements				
Current:				
Instruction:				
Regular	3,632,580	3,605,080	3,571,369	33,711
Special	138,198	140,969	140,749	220
Vocational	235,595	233,595	228,052	5,543
Other	73,000	74,553	73,336	1,217
Support Services:				
Pupils	459,786	432,933	327,821	105,112
Instructional Staff	311,816	308,916	293,547	15,369
Board of Education	47,360	47,360	39,422	7,938
Administration	731,613	723,113	669,491	53,622
Fiscal	160,570	159,770	154,093	5,677
Operation and Maintenance of Plant	785,871	779,271	741,137	38,134
Pupil Transportation	195,741	214,170	169,128	45,042
Central	44,500	44,500	42,535	1,965
Extracurricular Activities	164,021	164,021	160,316	3,705
Total Disbursements	6,980,651	6,928,251	6,610,996	317,255
Excess of Receipts Under Disbursements	(812,781)	(590,948)	(16,139)	574,809
Other Financing Uses				
Other Financing Uses	(8,000)	(8,000)		8,000
Transfers Out	(14,000)	(11,946)	(11,942)	4
Total Other Financing Uses	(22,000)	(19,946)	(11,942)	8,004
Changes in Fund Balance	(834,781)	(610,894)	(28,081)	582,813
Fund Balance at Beginning of Year	1,905,425	1,905,425	1,905,425	
Prior Year Encumbrances Appropriated	1,185	1,185	1,185	
Fund Balance at End of Year	\$1,071,829	\$1,295,716	\$1,878,529	\$582,813

See accompanying notes to the basic financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,363	\$20,046
Net Assets		
Endowments	10,000	
Held for Students		17,512
Held for Staff		2,534
Held in Trust for Scholarships	363	
Total Net Assets	\$10,363	\$20,046

See accompanying notes to the basic financial statements.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
MODIFIED CASH BASIS - FIDUCIARY FUNDS
FOR A THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$327
Deductions:	
Noninstructional Services	<u>400</u>
Change in Net Assets	(73)
Net Assets at Beginning of Year	<u>10,436</u>
Net Assets at End of Year	<u><u>\$10,363</u></u>

See accompanying notes to the basic financial statements.

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately twenty-three square miles. It is located in Auglaize and Mercer Counties. The School District is the 489th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-three certified teaching personnel, and five administrative employees who provide services to 970 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.

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, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified 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 modified 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 modified 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. 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 modified 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. Non-major 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 modified 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 modified 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, 2005
(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 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 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 2005, 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, 2005.

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 2005 was \$51,169, which included \$7,775 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 modified cash basis of accounting used by the School District.

I. Long-Term Obligations

Modified 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, 2005.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net 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, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements. GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

For the year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*. Last year the School District reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in Note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. The Uniform School Supplies and Lunchroom funds previously reported as Enterprise funds using the cash basis of accounting were reclassified to the General and Other Governmental funds, respectively, under the other comprehensive basis of accounting. Also, the trust fund was reclassified to a Private Purpose Trust fund.

The School District made the following modifications to the fund type cash basis of accounting in implementing the modified cash basis of accounting as described in Note 2:

	Fund Balance June 30, 2004	General	Debt Service	Other Governmental	Private Purpose Trust	Agency
General	\$1,872,163	\$1,872,163				
Special Revenue	52,900			\$52,900		
Debt Service	243,448		\$243,448			
Capital Projects	96,198			96,198		
Expendable Trust	10,436				\$10,436	
Enterprise	41,482	34,447		7,035		
Agency	22,626					\$22,626
Adjusted Balances						
June 30, 2004	<u>\$2,339,253</u>	<u>\$1,906,610</u>	<u>\$243,448</u>	<u>\$156,133</u>	<u>\$10,436</u>	<u>\$22,626</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – (Budget Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis), and adjusted interest earnings from June 2005 which was not adjusted on the budget basis.

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

Change in Fund Balance	
Cash Basis	\$1,890,387
Encumbrances outstanding at June 30, 2005	(8,296)
Interest earnings adjustment.	(3,562)
Budget Basis	<u>\$1,878,529</u>

5. 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;

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Cash on Hand - At June 30, 2005, the School District had \$177 in cash on hand.

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 June 30, 2005, the carrying amount of deposits was \$471,609 and the bank balance was \$616,038, of which \$416,438 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments - As of June 30, 2005, the School District had the following investments.

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>
Negotiable Certificate of Deposit	\$98,000	\$99,307	August 24, 2005
Negotiable Certificate of Deposit	99,000	98,815	August 3, 2007
Negotiable Certificate of Deposit	99,000	97,823	March 16, 2009
Federal National Mortgage Association Notes	300,000	297,939	December 30, 2005
Federal Home Loan Mortgage Corporation Notes	98,000	98,000	December 30, 2008
Federal National Mortgage Association Notes	200,000	198,602	December 28, 2009
STAR Ohio	1,174,241	1,174,241	30.4 Days
Total Investments	<u>\$2,068,241</u>	<u>\$2,064,727</u>	

The School District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal National Mortgage Association notes and the Federal Home Loan Mortgage Corporation notes carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal National Mortgage Association notes and the Federal Home Loan Mortgage Corporation notes are insured by the SIPC up to \$500,000 per account, including \$100,000 in cash. The negotiable certificates of deposit are insured through the FDIC.

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 National Mortgage Association Notes	\$500,000	24.18%
Federal Home Loan Mortgage Corporation Notes	98,000	4.74
Negotiable Certificates of Deposit	296,000	14.31
Star Ohio	1,174,241	56.77
Total	<u>\$2,068,241</u>	<u>100.00%</u>

6. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, 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, 2005
(Continued)**

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, 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 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize 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, 2005, are available to finance fiscal year 2005 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 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$75,457,050	76.77%	\$76,490,130	75.25%
Public Utility	2,115,730	2.15%	2,499,840	2.46%
Tangible Personal	20,721,962	21.08%	22,660,774	22.29%
Total Assessed Value	<u>\$98,294,742</u>	<u>100.00%</u>	<u>\$101,650,744</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.75		\$52.15	

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(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 2005, the School District contracted for the following insurance coverage.

Coverage provided by 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	28,583,331
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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 2005, 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. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2005, 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, 2005, 2004, and 2003 was \$450,862, \$451,556, and \$439,666, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$4,190 made by the School District and \$7,795 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. 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2005, 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 2005 was 14 percent of annual covered payroll; 10.57 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, 2005, 2004, and 2003 were \$75,826, \$67,443, and \$58,032, respectively; 42 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

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, 2005, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT 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 2005, 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 \$35,004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$35,518 for fiscal year 2005.

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, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is 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. Sick leave may be accumulated up to a maximum of two hundred thirty-two days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-eight days for all employees.

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. Special Termination Benefit

The School District provides a special termination 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 \$10,000.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

Governmental Activities	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Due Within One Year
General Obligation Bonds					
1991 Elementary Addition - 6.55%	\$500,000	\$0	\$50,000	\$450,000	\$50,000
1997 School Improvement					
Serial Bonds 3.70 - 5.00%	2,240,000		2,240,000		
Term Bonds 5.50	4,250,000		4,250,000		
Capital Appreciation Bonds 7.70 - 7.75%	583,864		583,864		
2005 Refunding School Improvement					
Serial Bonds 2.5 - 5.00%		6,410,000		6,410,000	525,000
Capital Appreciation Bonds 23.28%		282,996		282,996	
Total General Obligation Bonds	<u>\$7,573,864</u>	<u>\$6,692,996</u>	<u>\$7,123,864</u>	<u>\$7,142,996</u>	<u>\$575,000</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 General Obligation Bonds - On March 1, 1997, the School District issued \$8,998,864 in voted general obligation bonds for constructing and equipping a new high school building and repairing the elementary school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,165,000, \$4,250,000, and \$583,864, respectively. The bonds were issued for a twenty-one year period, with final maturity during fiscal year 2018. Refunding bonds were issued to retire these bonds during fiscal year 2005.

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 bonds have interest rates from 2.5 to 5 percent and refunded \$6,693,864 of the 1997 School Improvement general obligation bonds. The refunding bond issue includes serial and capital appreciation bonds, in the amount of \$6,410,000 and \$282,996, respectively. The net proceeds of \$7,855,583 (after payment of \$119,547 in underwriting fees, insurance, and other issuance costs, of which \$1,640 was refunded back to the School District) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$6,693,864 of the 1997 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the School District's long-term obligations. At June 30, 2005, \$6,278,864 of this debt was still outstanding.

Although the refunding resulted in the recognition of an accounting loss, in the amount of \$729,464; the School District lowered its aggregated debt service payments by \$391,846 over the next fourteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$315,476. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 7.0 mill voted property tax levy.

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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.

The School District's overall debt margin was \$2,385,032 with an unvoted debt margin of \$101,651 at June 30, 2005.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2006	\$575,000	\$245,644	\$0	\$0
2007	560,000	228,794	0	0
2008	595,000	211,694	0	0
2009	615,000	194,544	0	0
2010	635,000	175,065	0	0
2011-2015	1,430,000	628,031	282,996	1,647,004
2016-2019	2,450,000	224,225	0	0
Totals	\$6,860,000	\$1,907,997	\$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 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	\$11,017	(\$7,071,458)
Current Year Set Aside Requirement	137,854	137,854
Qualifying Expenditures	(99,542)	(88,713)
Balance June 30, 2005	\$49,329	(\$7,022,317)
Amount Carried Forward to Fiscal Year 2006	\$49,329	(\$7,022,317)

The School District had qualifying offsets during previous fiscal years that reduced the capital improvements set aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. INTERFUND TRANSFERS

During fiscal year 2005, the General Fund made transfers to other governmental funds, in the amount of \$11,942, to subsidize the activities of other funds.

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 \$363 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 Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

C. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2005, the School District paid \$64,714 to WOCO for various services. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

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 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 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, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

17. INSURANCE POOLS (Continued)

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.

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

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, 2005.

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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, 2006 and 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 27, 2007, wherein, we noted the School District uses a comprehensive basis of accounting 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 27, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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*. In a separate letter to the School District's management dated March 27, 2007, we reported other matters related to noncompliance we deemed immaterial.

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New Bremen Local School District
Auglaize County
Independent Accountants' Report On Internal Control Over
Financial Reporting and on Compliance And Other Matters
Required By *Government Auditing Standards*
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We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.

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

March 27, 2007



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 15, 2007**