



Mary Taylor, CPA
Auditor of State

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2010.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2010.....	9
Statement of Activities – Cash Basis – June 30, 2010.....	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds For the Fiscal Year Ended June 30, 2010.....	11
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds For the Fiscal Year Ended June 30, 2010.....	12
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – (Budget Basis) – General Fund For the Fiscal Year Ended June 30, 2010.....	13
Statement of Fiduciary Net Assets – Cash Basis Fiduciary Funds – June 30, 2010.....	14
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund – For the Fiscal Year Ended June 30, 2010.....	15
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2010.....	17
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2009.....	35
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2009.....	41
Statement of Activities – Cash Basis – June 30, 2009.....	42
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds For the Fiscal Year Ended June 30, 2009.....	43
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds For the Fiscal Year Ended June 30, 2009.....	44
Statement of Receipts, Disbursements and Change in Fund Balance Budget and Actual – (Budget Basis) – General Fund For the Fiscal Year Ended June 30, 2009.....	45
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds – June 30, 2009.....	46

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund – For the Fiscal Year Ended June 30, 2009	47
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2009	49
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2010	67
Notes to the Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2010	68
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance In Accordance with OMB Circular A-133	71
Schedule of Findings.....	73
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	75



Dave Yost • 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 New Bremen Local School District, Auglaize County, (the School District) as of and for the fiscal years ended June 30, 2010 and 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Bremen Local School District, Auglaize County, as of June 30, 2010 and 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 2, 2011

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of New Bremen Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major 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 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

In the statement of net assets and the statement of activities, all of the School District's 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 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 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 2010 and fiscal year 2009:

Table 1			
Governmental Activities			
Net Assets			
	2010	2009	Change
Assets:			
Cash and Cash Equivalents	\$6,796,828	\$5,779,431	\$1,017,397
Net Assets:			
Restricted	1,252,805	1,136,217	116,588
Unrestricted	5,544,023	4,643,214	900,809
Total Net Assets	\$6,796,828	\$5,779,431	\$1,017,397

Total net assets increased \$1,017,397, or almost 18 percent. Receipts continue to exceed disbursements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

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

	2010	2009	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 638,216	\$ 584,669	\$ 53,547
Operating Grants, Contributions, and Interest	804,626	774,120	30,506
Capital Grants and Contributions	5,734	20,015	(14,281)
Total Program Receipts	<u>1,448,576</u>	<u>1,378,804</u>	<u>69,772</u>
General Receipts:			
Property Taxes Levied for General Purposes	1,997,073	2,095,758	(98,685)
Property Taxes Levied for Debt Service	692,398	686,617	5,781
Property Taxes Levied for permanent Improvements	71,739	74,850	(3,111)
Income Taxes	1,308,864	1,720,947	(412,083)
Payment in Lieu of Taxes	30,952	31,022	(70)
Grants and Entitlements	4,782,324	3,996,934	785,390
Interest	146,621	158,728	(12,107)
Miscellaneous	34,417	36,739	(2,322)
Total General Receipts	<u>9,064,388</u>	<u>8,801,595</u>	<u>262,793</u>
Total Receipts	<u>10,512,964</u>	<u>10,180,399</u>	<u>332,565</u>
Disbursements:			
Instruction:			
Regular	4,194,857	4,320,050	125,193
Special	363,634	330,900	(32,734)
Vocational	161,756	314,260	152,504
Support Services:			
Pupils	498,699	446,585	(52,114)
Instructional Staff	438,075	423,027	(15,048)
Board of Education	21,300	23,336	2,036
Administration	822,389	767,398	(54,991)
Fiscal	278,360	213,148	(65,212)
Operation and Maintenance of Plant	917,560	924,617	7,057
Pupil Transportation	143,641	161,167	17,526
Central	65,319	58,151	(7,168)
Non-instructional Services	310,214	301,484	(8,730)
Extracurricular Activities	432,389	416,655	(15,734)
Capital Outlay	37,308	26,696	(10,612)
Debt Service:			
Principal Retirement	635,000	615,000	(20,000)
Interest and Fiscal Charges	175,066	194,544	19,478
Total Disbursements	<u>9,495,567</u>	<u>9,537,018</u>	<u>41,451</u>
Increase in Net Assets	1,017,397	643,381	374,016
Net Assets at Beginning of Year	5,779,431	5,136,050	643,381
Net Assets at End of Year	<u>\$6,796,828</u>	<u>\$5,779,431</u>	<u>\$1,017,397</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Program receipts increased 5 percent from fiscal year 2009. Charges for services increased from an increase in open enrollment tuition in fiscal year 2010. An increase occurred in operating grants, contributions, and interest from donations received in fiscal year 2010.

General receipts represent 86 percent of the School District's total receipts which is comparable to the prior fiscal year. Property tax receipts decreased slightly. According to the Department of Taxation, income tax receipts increased significantly in fiscal year 2009 which was attributable to a single source. For fiscal year 2010, income tax receipts were lower than the amount received in fiscal year 2008. Grants and entitlements increased significantly. In fiscal year 2010, the tangible personal property reimbursement almost doubled and the School District also received additional tangible personal property reimbursement from the recalculation of the overall loss of tangible personal property taxes due to the elimination of the collection of the tax.

The instruction program disbursements accounted for 50 percent of all disbursements. Instruction disbursements decreased in fiscal year 2010. In fiscal year 2010, the School District replaced three teachers that retired in fiscal year 2009 at a lower salary. Vocational instruction decreased from disbursements in fiscal year 2009 that related to the payment of severance for two vocational teachers.

Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 10 percent of program costs. These are all comparable to fiscal year 2009.

Special instruction, pupils, and instructional staff disbursements increased from county special education excess costs due to the Medicaid receipts being paid directly to the School District rather than being paid to the Auglaize County Educational Service Center as in prior fiscal years. In addition, the Auglaize County Educational Service Center discontinued the Auglaize County Special Needs School; therefore, administrative costs that had been charged to this community school were reallocated to the various School Districts.

Administration disbursements include the costs associated with the superintendent, principals, and building secretaries. During fiscal year 2010, an increase in these costs occurred from the retirement of a principal, the termination of an employee that created unemployment compensation costs, along with general increases in salaries and fringe benefits.

Fiscal disbursements increased in fiscal year 2010. The School District was required from an audit performed by the Ohio Department of Taxation to refund tangible personal property taxes received in prior fiscal years, in the amount of \$72,718.

Transportation disbursements decreased in fiscal year 2010. The School District eliminated one bus driver position and reduced the number of hours worked for another bus driver by changing bus routes and eliminating the afternoon pre-school route.

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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$4,194,857	\$4,320,050	\$3,780,990	\$3,933,333
Special	363,634	330,900	(126,307)	(107,892)
Vocational	161,756	314,260	102,313	251,442
Support Services:				
Pupils	498,699	446,585	490,783	441,585
Instructional Staff	438,075	423,027	438,075	423,027
Board of Education	21,300	23,336	21,300	23,336
Administration	822,389	767,398	822,389	767,398
Fiscal	278,360	213,148	278,360	213,148
Operation and Maintenance of Plant	917,560	924,617	917,560	924,617
Pupil Transportation	143,641	161,167	123,354	140,336
Central	65,319	58,151	65,319	58,151
Non-instructional Services	310,214	301,484	37,732	26,515
Extracurricular Activities	432,389	416,655	247,749	226,978
Capital Outlay	37,308	26,696	37,308	26,696
Debt Service:				
Principal Retirement	635,000	615,000	635,000	615,000
Interest and Fiscal Charges	175,066	194,544	175,066	194,544
Total Disbursements	<u>\$9,495,567</u>	<u>\$9,537,018</u>	<u>\$8,046,991</u>	<u>\$8,158,214</u>

Approximately 15 percent of the costs of services was financed through user charges and grants awarded for specific programs in fiscal year 2010, which is comparable to the prior fiscal year. The remaining 85 percent of total cost of services was financed through property taxes, income taxes, and unrestricted grants and entitlements.

Special instruction activities were totally provided for through operating grants. The most significant program receipts are associated with food service (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 cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund. Due to an increase in grants and entitlements and tuition and fees, along with controlling costs of operations, the School District had a positive excess of receipts over disbursements, in the amount of \$871,205 in the General Fund.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During fiscal year 2010, the School District amended its General Fund budget as needed. Changes from both the original budget to the final budget and from the final budget to actual receipts were not significant. The same can be said for disbursements.

Debt Administration

At June 30, 2010, the School District's outstanding debt consisted of general obligation bonds, in the amount of \$4,162,996, issued for improvements to buildings. For further information regarding the School District's long-term obligations, refer to Note 13 to the basic financial statements.

Current Issues

General fund revenues are expected to decrease because of a decline in income tax receipts due to the economy, a decrease in State Foundation of two percent, and no recalculation of the tangible personal property tax reimbursement, which amounted to \$274,940 in fiscal year 2010. Based on the five-year forecast, real estate tax revenue is expected to increase slightly due to new construction and the School District being at the twenty mill floor.

General fund appropriations increased by two percent in fiscal year 2011. Although base salaries were frozen, step increases for experienced staff increased approximately 1.69 percent. The School District also hired an in-house director of technology rather than contracting for a part-time individual. The School District incurred a 20 percent increase in health insurance benefits in January 2010, with the full effect being realized in fiscal year 2011. Additionally, part of the special education costs charged to the federal stimulus IDEA grant in fiscal year 2010 will be charged to the General Fund in fiscal year 2011 due to reduced funding.

The School District has been given an initial two-year allocation of \$190,386 for the Education Jobs Fund through the federal government. Current plans are to not request these resources until fiscal year 2012 to help replace the federal stimulus state fiscal stabilization funds currently being received. The Education Jobs Fund will be used to retain employees.

Although the School District has deferred an Ohio School Facilities Commission (OSFC) project in the past due to economic reasons, the School District plans to pursue a project when next approached by the OSFC, which is projected to be May 2011.

Request For Information

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

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,796,828</u>
Net Assets:	
Restricted for:	
Debt Service	834,562
Capital Projects	273,648
Other Purposes	127,859
Set Asides	16,736
Unrestricted	<u>5,544,023</u>
Total Net Assets	<u><u>\$6,796,828</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Cash Receipts			Net (Disbursements) Receipt and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				Governmental Activities	
Instruction:					
Regular	\$4,194,857	\$222,828	\$185,305	\$5,734	(\$3,780,990)
Special	363,634		489,941		126,307
Vocational	161,756		59,443		(102,313)
Support Services:					
Pupils	498,699	2,916	5,000		(490,783)
Instructional Staff	438,075				(438,075)
Board of Education	21,300				(21,300)
Administration	822,389				(822,389)
Fiscal	278,360				(278,360)
Operation and Maintenance of Plant	917,560				(917,560)
Pupil Transportation	143,641	12,882	7,405		(123,354)
Central	65,319				(65,319)
Operation of Non-Instructional Services	310,214	215,630	56,852		(37,732)
Extracurricular Activities	432,389	183,960	680		(247,749)
Capital Outlay	37,308				(37,308)
Debt Service:					
Principal	635,000				(635,000)
Interest and Fiscal Charges	175,066				(175,066)
Total Governmental Activities	\$9,495,567	\$638,216	\$804,626	\$5,734	(8,046,991)
General Receipts:					
Property Taxes Levied for:					
General Purposes					1,997,073
Debt Service					692,398
Permanent Improvements					71,739
Income Taxes					1,308,864
Payments in Lieu of Taxes					30,952
Grants and Entitlements not Restricted to Specific Programs					4,782,324
Investment Earnings					146,621
Miscellaneous					34,417
Total General Receipts					9,064,388
Change in Net Assets					1,017,397
Net Assets at Beginning of Year					5,779,431
Net Assets at End of Year					\$6,796,828

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,544,023	\$834,562	\$396,190	\$6,774,775
Restricted Cash and Cash Equivalents	<u>22,053</u>			<u>22,053</u>
Total Assets	<u>5,566,076</u>	<u>834,562</u>	<u>396,190</u>	<u>6,796,828</u>
Fund Balances:				
Reserved for Encumbrances	3,250		15,029	18,279
Reserved for Textbooks and Instructional Materials	16,736			16,736
Reserved for Bus Purchases	5,317			5,317
Unreserved, Undesignated, Reported in:				
General Fund	5,540,773			5,540,773
Special Revenue Funds			117,763	117,763
Debt Service Fund		834,562		834,562
Capital Projects Funds			<u>263,398</u>	<u>263,398</u>
Total Fund Balances	<u>\$5,566,076</u>	<u>\$834,562</u>	<u>\$396,190</u>	<u>\$6,796,828</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Property and Other Local Taxes	\$1,997,073	\$692,398	\$71,739	\$2,761,210
Income Tax	1,308,864			1,308,864
Intergovernmental	4,588,783	221,039	662,079	5,471,901
Interest	144,317		3,103	147,420
Tuition and Fees	235,710			235,710
Extracurricular Activities			183,960	183,960
Gifts and Donations	40,000		79,984	119,984
Customer Sales and Services	2,916		215,630	218,546
Payments in Lieu of Taxes	30,952			30,952
Miscellaneous	6,439		27,978	34,417
Total Cash Receipts	<u>8,355,054</u>	<u>913,437</u>	<u>1,244,473</u>	<u>10,512,964</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	4,051,435		143,422	4,194,857
Special	173,766		189,868	363,634
Vocational	161,756			161,756
Support Services:				
Pupils	492,063		6,636	498,699
Instructional Staff	346,957		91,118	438,075
Board of Education	21,300			21,300
Administration	822,389			822,389
Fiscal	249,667	25,706	2,987	278,360
Operation and Maintenance of Plant	685,472		232,088	917,560
Pupil Transportation	143,641			143,641
Central	65,319			65,319
Operation of Non-Instructional Services			310,214	310,214
Extracurricular Activities	225,084		207,305	432,389
Capital Outlay			37,308	37,308
Debt Service:				
Principal		635,000		635,000
Interest		175,066		175,066
Total Cash Disbursements	<u>7,438,849</u>	<u>835,772</u>	<u>1,220,946</u>	<u>9,495,567</u>
Excess of Receipts Over (Under) Disbursements	<u>916,205</u>	<u>77,665</u>	<u>23,527</u>	<u>1,017,397</u>
Other Financing Sources (Uses):				
Transfers In			45,000	45,000
Transfers Out	(45,000)			(45,000)
Total Other Financing Sources (Uses)	<u>(45,000)</u>		<u>45,000</u>	
Net Change in Fund Balances	871,205	77,665	68,527	1,017,397
Fund Balance (Deficit) at Beginning of Year	<u>4,694,871</u>	<u>756,897</u>	<u>327,663</u>	<u>5,779,431</u>
Fund Balance (Deficit) at End of Year	<u>\$5,566,076</u>	<u>\$834,562</u>	<u>\$396,190</u>	<u>\$6,796,828</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Receipts:				
Property Taxes	\$1,950,990	\$1,965,646	\$1,997,073	\$31,427
Income Tax	1,320,000	1,320,000	1,308,864	(11,136)
Payment in Lieu of Taxes	31,000	31,000	30,952	(48)
Intergovernmental	4,427,171	4,538,243	4,588,783	50,540
Interest	125,000	125,000	144,317	19,317
Tuition and Fees	194,700	194,700	235,710	41,010
Gifts and Donations	32,000	32,000	40,000	8,000
Customer Sales and Services			2,916	2,916
Miscellaneous	16,000	16,000	6,439	(9,561)
Total Receipts	<u>8,096,861</u>	<u>8,222,589</u>	<u>8,355,054</u>	<u>132,465</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,256,797	4,173,688	4,050,122	123,566
Special	171,376	174,276	173,766	510
Vocational	127,343	162,608	162,372	236
Student Intervention Services	14,000	14,000	1,313	12,687
Support Services:				
Pupils	462,327	496,127	492,063	4,064
Instructional Staff	352,236	352,236	346,957	5,279
Board of Education	28,995	28,995	21,300	7,695
Administration	830,303	830,301	822,389	7,912
Fiscal	192,552	264,731	249,667	15,064
Operation and Maintenance of Plant	708,623	708,623	688,722	19,901
Pupil Transportation	163,709	163,709	143,641	20,068
Central	78,600	78,600	65,319	13,281
Extracurricular Activities:	231,000	231,965	225,084	6,881
Total Disbursements	<u>7,617,861</u>	<u>7,679,859</u>	<u>7,442,715</u>	<u>237,144</u>
Excess of Receipts Over Disbursements	<u>479,000</u>	<u>542,730</u>	<u>912,339</u>	<u>369,609</u>
Other Financing Sources (Uses):				
Transfers Out	(45,000)	(45,000)	(45,000)	
Other Financing Uses	(8,000)	(8,000)		8,000
Total Other Financing Sources (Uses)	<u>(53,000)</u>	<u>(53,000)</u>	<u>(45,000)</u>	<u>8,000</u>
Net Change in Fund Balances	426,000	489,730	867,339	377,609
Fund Balance at Beginning of Year	4,684,030	4,684,030	4,684,030	
Prior Year Encumbrances Appropriated	10,841	10,841	10,841	
Fund Balance at End of Year	<u>\$5,120,871</u>	<u>\$5,184,601</u>	<u>\$5,562,210</u>	<u>\$377,609</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$10,281</u>	<u>\$21,521</u>
Liabilities:		
Current Liabilities:		
Held for Staff		981
Held for Students		<u>20,540</u>
Total Liabilities		<u><u>\$21,521</u></u>
Net Assets:		
Endowments	10,000	
Held in Trust for Scholarships	<u>281</u>	
Total Net Assets	<u><u>\$10,281</u></u>	

See accompanying notes to the basic financial statements.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Fund</u>
Additions:	
Interest	\$257
Total Additions	<u>257</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>300</u>
Total Deductions	<u>300</u>
Change in Net Assets	(43)
Net Assets Beginning of Year	<u>10,324</u>
Net Assets End of Year	<u><u>\$10,281</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, 2010**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately thirty-six square miles. It is located in Auglaize, Mercer, and Shelby Counties. The School District is the 514th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, fifty-eight certified teaching personnel, and five administrative employees who provide services to 873 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the 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 two jointly governed organizations and three insurance pools. These organizations are the Western Ohio Computer Organization, Auglaize County Educational Academy, 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 17 and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

1. Governmental Funds

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the 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 staff generated revenues for non-instructional activities and various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 2010, the School District invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, mutual funds, 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, 2010.

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 2010 was \$144,317, which included \$18,638, was assigned from other School District funds.

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

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

F. Restricted Assets

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

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

L. Interfund Activity

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

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. COMPLIANCE

At June 30, 2010, the Miscellaneous State Grant special revenue fund had final appropriations in excess of estimated resources and available balances, in the amount of \$2,280. The School District will better monitor the activity of their funds to ensure that appropriations are within estimated resources.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

A. Cash on Hand

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

B. Deposits

Custodial credit for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of deposits was \$1,569,255 and the bank balance was \$1,670,442. Of the bank balance, \$268,954 was covered by the Federal Deposit Insurance Corporation. The remaining amounts were uninsured and uncollateralized.

C. Investments

As of June 30, 2010, the School District had the following investments.

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One to Two Years</u>	<u>More Than Two Years</u>
Negotiable Certificates of Deposit	\$2,027,000	\$ 293,000	\$642,000	\$601,000	\$ 491,000
Federal Home Loan Mort. Corp. Notes	350,000				350,000
Federal Home Loan Bank Bonds	1,715,243	514,368			1,200,875
Federal National Mort. Assoc. Notes	604,255				604,255
Mutual Funds	506,250	506,250			
STAR Ohio	56,477	56,477			
Total	<u>\$5,259,225</u>	<u>\$1,370,095</u>	<u>\$642,000</u>	<u>\$601,000</u>	<u>\$2,646,130</u>

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

The negotiable certificates of deposit are insured by the FDIC. The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, and mutual funds 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 no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

	Carrying Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$ 350,000	6.65%
Federal Home Loan Bank	1,715,243	32.61
Federal National Mortgage Association	604,255	11.49

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. On May 5, 2009, the income tax levy was renewed by the voters for an additional five years beginning on January 1, 2010. 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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. PROPERTY TAXES (Continued)

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, Mercer, and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2010, are available to finance fiscal year 2010 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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$97,651,190	97.87%	\$ 99,423,870	97.86%
Public Utility	2,126,440	2.13	2,174,210	2.14
Total Assessed Value	<u>\$99,777,630</u>	<u>100.00%</u>	<u>\$101,598,080</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.55		\$51.55	

7. PAYMENT IN LIEU OF TAXES

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

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 1,025,092			\$ 1,025,092
Depreciable Capital Assets:				
Land Improvements	671,539			671,539
Buildings and Building Improvements	13,647,458			13,647,458
Improvements Other Than Buildings	798,221			798,221
Furniture, Fixtures, and Equipment	990,587		(\$5,000)	985,587
Vehicles	504,304			504,304
Total Depreciable Capital Assets	<u>16,612,109</u>		<u>(5,000)</u>	<u>16,607,109</u>
Governmental Activities Capital Assets	<u>\$17,637,201</u>	<u>\$0</u>	<u>(\$5,000)</u>	<u>\$17,632,201</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. 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 2010, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

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

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	33,625,628
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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 2010, 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.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$470,509, \$494,443, and \$395,618 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$13,648 made by the School District and \$9,748 made by plan members.

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$107,048, \$81,492, and \$80,585, respectively; 33 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$37,243, \$38,572, and \$30,936 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$18,168.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$3,853, \$37,294, and \$36,774 respectively; 33 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$6,366, \$6,724, and \$5,806 respectively; 33 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefit

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds					
1991 Elementary Addition 6.55%	\$ 250,000		\$ 50,000	\$ 200,000	\$ 50,000
2005 Refunding School Improvement					
Serial Bonds 2.5 - 5.00%	4,265,000		585,000	3,680,000	605,000
Capital Appreciation Bonds 23.277%	<u>282,996</u>			<u>282,996</u>	
Total General Obligation Bonds	<u>\$4,797,996</u>	<u>\$0</u>	<u>\$635,000</u>	<u>\$4,162,996</u>	<u>\$655,000</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 included serial and capital appreciation bonds, in the original 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 mill voted property tax levy.

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

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

At June 30, 2010, \$3,962,996 of the refunded bonds was still outstanding.

The School District's overall debt margin was \$5,620,573 with an unvoted debt margin of \$99,433 at June 30, 2010.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010, were as follows:

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2011	\$ 655,000	\$152,819		
2012	675,000	130,338		
2013	50,000	117,688	\$115,926	\$ 529,074
2014	50,000	114,413	93,015	551,985
2015		112,775	74,055	565,945
2016-2019	2,450,000	224,225		
Totals	<u>\$3,880,000</u>	<u>\$852,258</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.

14. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	\$46,340	
Current Year Set Aside Requirement	144,113	\$144,113
Qualifying Expenditures	(173,717)	
Current Year Offsets		(144,113)
Balance June 30, 2010	<u>\$16,736</u>	<u>\$ 0</u>

15. INTERFUND TRANSFERS

During fiscal year 2010, the General Fund made transfers other governmental funds, in the amount of \$45,000, to subsidize the activities of other funds.

16. 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 \$281 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2010, the School District paid \$77,036 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

B. Auglaize County Educational Academy

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

18. INSURANCE POOLS

A. Ohio School Plan

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

B. Mercer Auglaize School Employee Benefit Trust

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

18. INSURANCE POOLS (Continued)

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from 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.

19. 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, 2010.

B. Litigation

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

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The discussion and analysis of New Bremen Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

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

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

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

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, 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. 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's 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, 2009
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 Bond Retirement debt service fund.

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

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

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008:

Table 1			
Governmental Activities			
Net Assets			
	2009	2008	Change
Assets:			
Current and Other Assets	\$5,779,431	\$5,135,060	\$643,381
Net Assets:			
Restricted	1,136,217	988,412	147,805
Unrestricted	4,643,214	4,147,638	495,576
Total Net Assets	\$5,779,431	\$5,136,050	\$643,381

Total net assets increased \$643,381, or almost 13 percent. Receipts continue to exceed disbursements.

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008.

Table 2			
Governmental Activities			
Change in Net Assets			
	2009	2008	Change
Receipts:			
Program Revenues:			
Charges for Services	\$ 584,669	\$ 475,785	\$108,884
Operating Grants, Contributions, and Interest	774,120	791,328	(17,208)
Capital Grants and Contributions	20,015	5,037	14,978
Total Program Revenues	1,378,804	1,272,150	106,654

(Continued)

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

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

	<u>2009</u>	<u>2008</u>	<u>Change</u>
General Receipts:			
Property Taxes Levied for General Purposes	2,095,758	2,240,220	(144,462)
Property Taxes Levied for Debt Service	686,617	691,610	(4,993)
Property Taxes Levied for Permanent Improvements	74,850	79,729	(4,879)
Income Taxes	1,720,947	1,494,540	226,407
Payment in Lieu of Taxes	31,022		31,022
Grants and Entitlements	3,996,934	4,079,966	(83,032)
Interest	158,728	229,837	(71,109)
Miscellaneous	36,739	38,912	(2,173)
Total General Receipts	<u>8,801,595</u>	<u>8,854,814</u>	<u>(53,219)</u>
Total Revenues	<u>10,180,399</u>	<u>10,126,964</u>	<u>53,435</u>
Disbursements:			
Instruction:			
Regular	4,320,050	4,240,241	(79,809)
Special	330,900	341,447	10,547
Vocational	314,260	278,308	(35,952)
Support Services:			
Pupils	446,585	385,991	(60,594)
Instructional Staff	423,027	386,966	(36,061)
Board of Education	23,336	22,668	(668)
Administration	767,398	733,801	(33,597)
Fiscal	213,148	198,904	(14,244)
Operation and Maintenance of Plant	924,617	913,840	(10,777)
Pupil Transportation	161,167	235,563	74,396
Central	58,151	58,666	515
Non-instructional Services	301,484	294,387	(7,097)
Extracurricular Activities	416,655	417,777	1,122
Capital Outlay	26,696	43,534	16,838
Debt Service:			
Principal Retirement	615,000	595,000	(20,000)
Interest and Fiscal Charges	194,544	211,694	17,150
Total Disbursements	<u>9,537,018</u>	<u>9,358,787</u>	<u>(178,231)</u>
Increase in Net Assets	643,381	768,177	(124,796)
Net Assets at Beginning of Year	5,136,050	4,367,873	768,177
Net Assets at End of Year	<u>\$5,779,431</u>	<u>\$5,136,050</u>	<u>\$643,381</u>

Program receipts increased 8 percent from fiscal year 2008. Charges for services increased from an increase in open enrollment tuition in fiscal year 2009. An increase occurred in capital grants and contributions from donations received in fiscal year 2009.

General receipts represent 86 percent of the School District's total receipts which is comparable to the prior fiscal year. Property tax receipts decreased slightly. According to the Department of Taxation, 80 percent of the increase in income tax receipts was attributable to one source. In fiscal year 2009, the School District received the first payment from an enterprise zone agreement with the Village of New Bremen and reflected as payment in lieu of taxes receipts.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

The instruction program disbursements accounted for 52 percent of all disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 10 percent of program costs. These are all comparable to fiscal year 2008.

Vocational instruction increased from disbursements relating to the payment of severance for two vocational teachers.

Pupils and instructional staff disbursements increased from special education excess costs, physical therapy, occupational therapy, special education aides, and a contracted technology coordinator.

Transportation disbursements decreased in fiscal year 2009. The primary reason for the decrease occurred from purchasing a new school bus in fiscal year 2008.

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	
	2009	2008	2009	2008
Instruction:				
Regular	\$4,320,050	\$4,240,241	\$3,933,333	\$3,937,262
Special	330,900	341,447	(107,892)	(72,344)
Vocational	314,260	278,308	251,442	222,149
Support Services:				
Pupils	446,585	385,991	441,585	378,480
Instructional Staff	423,027	386,966	423,027	350,950
Board of Education	23,336	22,668	23,336	22,668
Administration	767,398	733,801	767,398	733,801
Fiscal	213,148	198,904	213,148	198,904
Operation and Maintenance of Plant	924,617	913,840	924,617	913,840
Pupil Transportation	161,167	235,563	140,336	219,455
Central	58,151	58,666	58,151	58,666
Non-instructional Services	301,484	294,387	26,515	30,521
Extracurricular Activities	416,655	417,777	226,978	242,057
Capital Outlay	26,696	43,534	26,696	43,534
Debt Service:				
Principal Retirement	615,000	595,000	615,000	595,000
Interest and Fiscal Charges	194,544	211,694	194,544	211,694
Total Disbursements	<u>\$9,537,018</u>	<u>\$9,358,787</u>	<u>\$8,158,214</u>	<u>\$8,086,637</u>

Approximately 14 percent of the costs of services was financed through user charges and grants awarded for specific programs in fiscal year 2009, which is comparable to the prior fiscal year. The remaining 86 percent of total cost of services was financed through property taxes, income taxes, and unrestricted grants and entitlements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Special instruction activities were totally 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 cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund. Due to an increase in income tax receipts and tuition and fees, along with controlling costs of operations, the School District had a positive excess of receipts over disbursements, in the amount of \$493,938 in the General Fund.

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

General Fund Budgeting Highlights

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

During fiscal year 2009, the School District amended its General Fund budget as needed. Changes from both the original budget to the final budget and from the final budget to actual receipts were not significant. The same can be said for disbursements.

Current Issues

General Fund receipts are expected to increase even with the phase out of tangible personal property taxes, a decline in income tax receipts due to the economy, and a decrease in State funding by 1 percent. Based on the five-year forecast, the General Fund's increase in receipts results from the increase in real estate property assessed value that was effective January 1, 2009 and the School District being at the 20 mill floor. The recalculation of the tangible personal property reimbursement also resulted in an additional \$274,000 being received in fiscal year 2010.

General Fund appropriations decreased by 2 percent in fiscal year 2010. The School District replaced three teachers at a lower salary of the six teachers that had retired in fiscal year 2009. Also attributing to the decrease are less students attending community schools or leaving the School District to attend other schools.

The citizens approved the renewal of the 1 percent income tax in May 2009 for an additional five years beginning January 1, 2010.

Due to the economic times, the School District has deferred any Ohio School Facilities Commission projects.

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 - CASH BASIS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,779,431</u>
Net Assets:	
Restricted for:	
Debt Service	756,897
Capital Outlay	224,119
Other Purposes	108,861
Setasides	46,340
Unrestricted	<u>4,643,214</u>
Total Net Assets	<u><u>\$5,779,431</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Disbursements) Receipt and Changes in Net Assets
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$4,320,050	\$164,015	\$216,902	\$5,800	(\$3,933,333)
Special	330,900		438,792		107,892
Vocational	314,260	1,092	61,726		(251,442)
Support Services:					
Pupils	446,585		5,000		(441,585)
Instructional Staff	423,027				(423,027)
Board of Education	23,336				(23,336)
Administration	767,398				(767,398)
Fiscal	213,148				(213,148)
Operation and Maintenance of Plant	924,617				(924,617)
Pupil Transportation	161,167	14,693	2,458	3,680	(140,336)
Central	58,151				(58,151)
Operation of Non-Instructional Services	301,484	216,279	48,155	10,535	(26,515)
Extracurricular Activities	416,655	188,590	1,087		(226,978)
Capital Outlay	26,696				(26,696)
Debt Service:					
Principal	615,000				(615,000)
Interest and Fiscal Charges	194,544				(194,544)
Total Governmental activities	<u>\$9,537,018</u>	<u>\$584,669</u>	<u>\$774,120</u>	<u>\$20,015</u>	<u>(8,158,214)</u>
General Receipts:					
Property Taxes Levied for:					
					2,095,758
General Purposes					686,617
Debt Service					74,850
Permanent Improvements					1,720,947
Income Taxes					31,022
Payments in Lieu of Taxes					3,996,934
Grants and Entitlements not Restricted to Specific Programs					158,728
Investment Earnings					36,739
Miscellaneous					<u>8,801,595</u>
Total General Receipts					
Change in Net Assets					643,381
Net Assets Beginning of Year					<u>5,136,050</u>
Net Assets End of Year					<u><u>\$5,779,431</u></u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,643,214	\$756,897	\$327,663	\$5,727,774
Restricted Assets:				
Restricted Cash and Cash Equivalents	51,657			51,657
Total Assets	<u>4,694,871</u>	<u>756,897</u>	<u>327,663</u>	<u>5,779,431</u>
Fund Balances:				
Reserved:				
Reserved for Textbooks	46,340			46,340
Reserved for Bus Purchases	5,317			5,317
Reserved for Encumbrances	2,953		17,313	20,266
Unreserved, Undesignated, Reported in:				
General Fund	4,640,261			4,640,261
Special Revenue Funds			100,491	100,491
Debt Service Funds		756,897		756,897
Capital Projects Funds			209,859	209,859
Total Fund Balances	<u>\$4,694,871</u>	<u>\$756,897</u>	<u>\$327,663</u>	<u>\$5,779,431</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES FUND IN BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property and Other Local Taxes	\$2,095,758	\$686,617	\$74,850	\$2,857,225
Income Tax	1,720,947			1,720,947
Intergovernmental	4,093,595	216,890	455,894	4,766,379
Interest	149,047	6,860	3,976	159,883
Tuition and Fees	178,952			178,952
Extracurricular Activities			188,590	188,590
Gifts and Donations			23,535	23,535
Customer Sales and Services	848		216,279	217,127
Payments in Lieu of Taxes	31,022			31,022
Miscellaneous	15,258		21,481	36,739
Total Cash Receipts	<u>8,285,427</u>	<u>910,367</u>	<u>984,605</u>	<u>10,180,399</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	4,095,284		224,766	4,320,050
Special	158,728		172,172	330,900
Vocational	314,260			314,260
Support Services:				
Pupils	440,220		6,365	446,585
Instructional Staff	423,027			423,027
Board of Education	23,336			23,336
Administration	767,312		86	767,398
Fiscal	197,651	13,958	1,539	213,148
Operation and Maintenance of Plant	888,413		36,204	924,617
Pupil Transportation	160,891		276	161,167
Central	58,151			58,151
Operation of Non-Instructional Services			301,484	301,484
Extracurricular Activities	219,216		197,439	416,655
Capital Outlay			26,696	26,696
Debt Service:				
Principal		615,000		615,000
Interest		194,544		194,544
Total Cash Disbursements	<u>7,746,489</u>	<u>823,502</u>	<u>967,027</u>	<u>9,537,018</u>
Excess of Revenues Over (Under) Expenditures	<u>538,938</u>	<u>86,865</u>	<u>17,578</u>	<u>643,381</u>
Other Financing Sources (Uses):				
Transfers In			45,000	45,000
Transfers Out	(45,000)			(45,000)
Total Other Financing Sources (Uses)	<u>(45,000)</u>		<u>45,000</u>	
Change in Fund Balances	493,938	86,865	62,578	643,381
Fund Balances at Beginning of Year	<u>4,200,933</u>	<u>670,032</u>	<u>265,085</u>	<u>5,136,050</u>
Fund Balances at End of Year	<u>\$4,694,871</u>	<u>\$756,897</u>	<u>\$327,663</u>	<u>\$5,779,431</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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$2,095,035	\$1,977,279	\$2,095,758	\$118,479
Income Tax	1,358,000	1,358,000	1,720,947	362,947
Intergovernmental	4,360,601	4,113,826	4,093,595	(20,231)
Interest	200,000	200,000	149,047	(50,953)
Tuition and Fees	174,012	174,012	178,952	4,940
Customer Sales and Services			848	848
Payments in Lieu of Taxes	29,000	29,000	31,022	2,022
Miscellaneous	51,500	51,500	15,258	(36,242)
Total Receipts	<u>8,268,148</u>	<u>7,903,617</u>	<u>8,285,427</u>	<u>381,810</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,354,093	4,298,143	4,083,477	214,666
Special	169,187	169,187	158,728	10,459
Vocational	342,427	342,427	321,337	21,090
Student Intervention Services	13,200	13,800	12,617	1,183
Support Services:				
Pupils	423,051	442,800	440,220	2,580
Instructional Staff	415,112	426,613	423,027	3,586
Board of Education	28,100	28,100	24,031	4,069
Administration	788,592	788,592	767,312	21,280
Fiscal	210,451	210,451	197,651	12,800
Operation and Maintenance of Plant	954,891	954,891	890,622	64,269
Pupil Transportation	252,533	252,532	160,941	91,591
Central	65,100	65,100	58,151	6,949
Extracurricular Activities	221,100	221,100	219,216	1,884
Total Disbursements	<u>8,237,837</u>	<u>8,213,736</u>	<u>7,757,330</u>	<u>456,406</u>
Excess of Receipts Over (Under) Disbursements	<u>30,311</u>	<u>(310,119)</u>	<u>528,097</u>	<u>838,216</u>
Other Financing Sources (Uses):				
Transfers Out	(45,000)	(45,000)	(45,000)	
Total Other Financing Sources and Uses	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	
Net Change in Fund Balances	(14,689)	(355,119)	483,097	838,216
Fund Balance (Deficit) at Beginning of Year	4,195,606	4,195,606	4,195,606	
Prior Year Encumbrances Appropriated	5,327	5,327	5,327	
Fund Balance (Deficit) at End of Year	<u>\$4,186,244</u>	<u>\$3,845,814</u>	<u>\$4,684,030</u>	<u>\$838,216</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2009**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10,324	\$24,353
Liabilities:		
Held for Staff		913
Held for Students		23,440
Total Liabilities		\$24,353
Net Assets:		
Endowments	10,000	
Held in Trust for Scholarships	324	
Total Net Assets	\$10,324	

See accompanying notes to the basic financial statements.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS - FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Fund</u>
Additions:	
Interest	\$436
Deductions:	
Non-instructional Services	<u>400</u>
Change in Net Assets	36
Net Assets Beginning of Year	<u>10,288</u>
Net Assets End of Year	<u><u>\$10,324</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, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately thirty-six square miles. It is located in Auglaize, Mercer, and Shelby Counties. The School District is the 519th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-four classified employees, sixty-one certified teaching personnel, and five administrative employees who provide services to 874 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and three insurance pools. These organizations are the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

1. Governmental Funds

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the 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 activities and staff-related activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported on the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 2009, investments included nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, money market mutual funds, 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, 2009.

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 2009 was \$149,047 which included \$2,740 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.

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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials as well as unexpended revenues 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

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

L. Interfund Activity

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

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand

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

B. Deposits

Custodial credit for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of deposits was \$487,782 and the bank balance was \$626,862. Of the bank balance, \$269,646 was covered by the Federal Deposit Insurance Corporation. The remaining amounts were uninsured and uncollateralized.

C. Investments

As of June 30, 2009, the School District had the following investments.

	Total	Less Than Six Months	Six Months to One Year	One to Two Years	More Than Two Years
Negotiable Certificates of Deposit	\$1,622,024	\$249,000	\$293,000	\$ 589,000	\$ 491,024
Federal Home Loan Mortgage Corp. Notes	750,000				750,000
Federal Home Loan Bank Notes	700,300				700,300
Federal Home Loan Bank Bonds	514,368			514,368	
Federal National Mort. Assoc. Notes	599,668				599,668
Federal Farm Credit Bank Notes	100,052				100,052
Mutual Funds	12,937	12,937			
STAR Ohio	1,026,827	1,026,827			
Total	<u>\$5,326,176</u>	<u>\$1,288,764</u>	<u>\$293,000</u>	<u>\$1,103,368</u>	<u>\$2,641,044</u>

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

The negotiable certificates of deposit are insured by the FDIC. The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, and mutual funds 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 no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

	Carrying Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$ 750,000	14.08%
Federal Home Loan Bank	1,214,668	22.81
Federal National Mortgage Association	599,668	11.26
Federal Farm Credit Bank	100,052	1.88

4. INCOME TAXES

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

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located within the area served by the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after October 1, 2008, 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 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

The School District receives property taxes from Auglaize, Mercer, and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$86,886,050	91.33%	\$97,651,190	97.87%
Public Utility	1,986,870	2.09	2,126,440	2.13
Tangible Personal	6,262,320	6.58		
Total Assessed Value	<u>\$95,135,240</u>	<u>100.00%</u>	<u>\$99,777,630</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.55		\$51.55	

6. PAYMENT IN LIEU OF TAXES

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

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 1,025,092			\$ 1,025,092
Depreciable Capital Assets:				
Land Improvements	671,539			671,539
Buildings and Building Improvements	13,057,850	\$589,608		13,647,458
Improvements Other Than Buildings	798,221			798,221
Furniture, Fixtures, and Equipment	940,364	63,090	(\$12,867)	990,587
Vehicles	504,304			504,304
Total Depreciable Capital Assets	<u>15,972,278</u>	<u>652,698</u>	<u>(12,867)</u>	<u>16,612,109</u>
Governmental Activities Capital Assets	<u>\$16,997,370</u>	<u>\$652,698</u>	<u>(\$12,867)</u>	<u>\$17,637,201</u>

During fiscal year 2009, the School District accepted contributions of capital assets with a fair value of \$609,207.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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 2009, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

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

Coverage provided by Cincinnati Insurance Company is as follows:

Building and Contents	31,974,787
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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 2009, 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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$494,443, \$395,618, and \$460,770 respectively; 86 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions for the DCP and CP for the fiscal year ended June 30, 2009, were \$6,993 made by the School District and \$11,384 made by plan members.

B. School Employees Retirement System

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$81,492, \$80,585, and \$82,679, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$38,572, \$30,936, and \$35,833 respectively; 86 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, this amount was \$13,527.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$37,294, \$36,774, and \$27,449 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$6,724, \$5,806, and \$5,622 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. OTHER EMPLOYEE BENEFITS (Continued)

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

B. Health Care Benefits

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

C. Separation Benefit

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

12. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds:					
1991 Elementary Addition 6.55%	\$ 300,000		\$ 50,000	\$ 250,000	\$ 50,000
2005 School Improvement Refunding Serial Bonds 2.50 - 5.00% Capital Appreciation Bonds 23.277%	4,830,000		565,000	4,265,000	585,000
	<u>282,996</u>			<u>282,996</u>	
Total General Obligation Bonds	<u>\$5,412,996</u>	<u>\$0</u>	<u>\$615,000</u>	<u>\$4,797,996</u>	<u>\$635,000</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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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.

At June 30, 2009, \$4,547,996 of the refunded bonds was still outstanding.

Compensated absences will be paid from the General Fund.

The School District's overall debt margin was \$4,748,298 with an unvoted debt margin of \$97,660 at June 30, 2009.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2010	\$ 635,000	\$ 175,065		
2011	655,000	152,819		
2012	675,000	130,338		
2013	50,000	117,688	\$115,926	\$ 529,074
2014	50,000	114,413	93,015	551,985
2015-2019	2,450,000	337,000	74,055	565,945
Totals	\$4,515,000	\$1,027,323	\$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 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	\$51,658	
Current Year Set Aside Requirement	142,240	\$142,240
Qualifying Expenditures	(147,558)	
Current Year Offsets		(142,240)
Balance June 30, 2009	\$46,340	\$ 0

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

14. INTERFUND TRANSFERS

During fiscal year 2009, the General Fund made transfers other governmental funds, in the amount of \$45,000, 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 \$324 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. 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 2009, the School District paid \$95,865 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

B. Auglaize County Educational Academy

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

C. Auglaize County Special Needs School

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

B. Mercer Auglaize School Employee Benefit Trust

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

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

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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

18. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
National School Lunch Program	10.555	\$55,825		\$55,825	
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$25,780		\$25,433
Total National School Lunch Program		<u>55,825</u>	<u>25,780</u>	<u>55,825</u>	<u>25,433</u>
Total U. S. Department of Agriculture		<u>55,825</u>	<u>25,780</u>	<u>55,825</u>	<u>25,433</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Safe and Drug-Free Schools and Communities State Grants	84.186	1,636		1,636	
Special Education Cluster:					
Special Education Grants to States	84.027	150,858		150,858	
ARRA Special Education Grants to States, Recovery Act	84.391	100,835		100,835	
Total Special Education Cluster		<u>251,693</u>		<u>251,693</u>	
Title 1 Grants to Local Educational Agencies	84.010	29,292		29,292	
Education Technology State Grants	84.318	262		262	
Improving Teacher Quality State Grants	84.367	30,710		30,710	
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	<u>219,809</u>		<u>219,809</u>	
Total U. S. Department of Education		<u>533,402</u>		<u>533,402</u>	
Total Federal Financial Assistance		<u><u>\$589,227</u></u>	<u><u>\$25,780</u></u>	<u><u>\$589,227</u></u>	<u><u>\$25,433</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the New Bremen Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the market value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • 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 New Bremen Local School District, Auglaize County, (the School District) as of and for the fiscal years ended June 30, 2010 and 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 2, 2011 wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 2, 2011.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 2, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of New Bremen Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of New Bremen Local School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the New Bremen Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 2, 2011

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027, Special Education Grants to States, CFDA #84.391, Special Education Grants to States - Recovery Act CFDA #84.394, State Fiscal Stabilization Fund – Education State Grants - Recovery Act
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

NONCOMPLIANCE

Ohio Rev. Code Section 135.13 provides that interim deposits may be certificates of deposits maturing not more than one year from the date of deposit or savings or deposit accounts, including passbook accounts. **Ohio Rev. Code Section 135.13** requires depositing inactive funds in certificates of deposit maturing not later than the end of the depository designation period or by savings or deposit accounts, including, but not limited to, passbook accounts. At June 30, 2010 and 2009, the District invested \$985,000 and \$1,282,000, respectively, in negotiable certificates of deposits for a term greater than one year. These funds were not declared inactive by the Board of Education, thus are considered interim deposits and should be placed into certificates of deposits not maturing more than one year from the date of deposit.

The District should limit investments with maturities exceeding one year to funds declared by the board as inactive, and therefore, not needed by the District for the next year.

Official's Response: On October 13, 2010, the New Bremen Board of Education declared \$1.75 million as inactive funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether New Bremen Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on August 28, 2002.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - a) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - c) A procedure for reporting prohibited incidents;
 - d) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - e) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- f) A procedure for documenting any prohibited incident that is reported;
- g) A procedure for responding to and investigating any reported incident;
- h) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- j) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Dave Yost
Auditor of State

February 2, 2011



Dave Yost • 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
MARCH 15, 2011**