

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

DEB MEYER, TREASURER



Dave Yost • Auditor of State

Board of Education
New Bremen Local School District
901 East Monroe Street
New Bremen, Ohio 45869

We have reviewed the *Independent Accountants' Report* of the New Bremen Local School District, Auglaize County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 26, 2013

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the New Bremen Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New Bremen Local 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 New Bremen Local 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 accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, Ohio, as of June 30, 2012, and the respective changes in cash financial position thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

Independent Accountants' Report
New Bremen Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the New Bremen Local 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.

We conducted our audit to opine on the financial statements taken as a whole. *Management's Discussion and Analysis* on pages 3 - 9 includes tables of net assets, changes in net assets and governmental activities. The Schedule of Receipts and Expenditures of Federal Awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule of Receipts and Expenditures of Federal Awards provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule of Receipts and Expenditures of Federal Awards are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in *Management's Discussion and Analysis*, and we express no opinion or any other assurance on it.



Julian & Grube, Inc.
January 15, 2013

New Bremen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

USING THIS ANNUAL REPORT

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For New Bremen Local School District, the General Fund and 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 2012, 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
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 restricted 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, noninstructional services, extracurricular activities, 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 2012 and fiscal year 2011:

| Table 1 Governmental Activities Net Assets | | | |
|--|-------------|-------------|-----------|
| | 2012 | 2011 | Change |
| <u>Assets:</u> | | | |
| Cash and Cash Equivalents | \$7,757,561 | \$7,210,720 | \$546,841 |
| <u>Net Assets:</u> | | | |
| Restricted | \$1,504,118 | \$1,357,858 | \$146,260 |
| Unrestricted | 6,253,443 | 5,852,862 | 400,581 |
| Total Net Assets | \$7,757,561 | \$7,210,720 | \$546,841 |

New Bremen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Total net assets increased \$546,841, or 7.6 percent. Receipts continue to exceed disbursements.

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2
Governmental Activities
Change in Net Assets

| | 2012 | 2011 | Change |
|--|-------------------|-------------------|----------------|
| <u>Receipts:</u> | | | |
| Program Receipts | | | |
| Charges for Services | \$747,376 | \$675,893 | \$71,483 |
| Operating Grants, Contributions, and Interest | 1,033,939 | 800,579 | 233,360 |
| Capital Grants and Contributions | 5,380 | 0 | 5,380 |
| Total Program Receipts | <u>1,786,695</u> | <u>1,476,472</u> | <u>310,223</u> |
| General Receipts | | | |
| Property Taxes Levied for General Purposes | 2,024,658 | 2,023,780 | 878 |
| Property Taxes Levied for Debt Service | 700,748 | 700,809 | (61) |
| Property Taxes Levied for Permanent Improvements | 73,096 | 72,642 | 454 |
| Income Taxes | 1,762,902 | 1,345,826 | 417,076 |
| Payment in Lieu of Taxes | 30,952 | 30,952 | 0 |
| Grants and Entitlements | 4,149,926 | 4,467,293 | (317,367) |
| Interest | 79,304 | 83,079 | (3,775) |
| Miscellaneous | 39,323 | 36,049 | 3,274 |
| Total General Receipts | <u>8,860,909</u> | <u>8,760,430</u> | <u>100,479</u> |
| Total Receipts | <u>10,647,604</u> | <u>10,236,902</u> | <u>410,702</u> |
| <u>Disbursements:</u> | | | |
| Instruction: | | | |
| Regular | 4,347,023 | 4,273,137 | (73,886) |
| Special | 476,649 | 421,242 | (55,407) |
| Vocational | 149,995 | 179,704 | 29,709 |
| Support Services: | | | |
| Pupils | 601,229 | 610,775 | 9,546 |
| Instructional Staff | 605,895 | 533,012 | (72,883) |
| Board of Education | 45,099 | 47,649 | 2,550 |
| Administration | 810,601 | 816,610 | 6,009 |
| Fiscal | 214,626 | 185,603 | (29,023) |
| Operation and Maintenance of Plant | 984,475 | 1,011,540 | 27,065 |
| Pupil Transportation | 257,694 | 130,866 | (126,828) |
| Central | 63,764 | 62,599 | (1,165) |

(continued)

New Bremen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Governmental Activities
Change in Net Assets
(continued)

| | 2012 | 2011 | Change |
|-----------------------------------|---------------------------|---------------------------|-------------------------|
| <u>Disbursements:</u> (continued) | | | |
| Noninstructional Services | \$306,976 | \$329,670 | \$22,694 |
| Extracurricular Activities | 431,399 | 405,929 | (25,470) |
| Debt Service: | | | |
| Principal Retirement | 675,000 | 655,000 | (20,000) |
| Interest and Fiscal Charges | 130,338 | 152,819 | 22,481 |
| Total Disbursements | <u>10,100,763</u> | <u>9,816,155</u> | <u>(284,608)</u> |
| Increase in Net Assets | 546,841 | 420,747 | 126,094 |
| Net Assets at Beginning of Year | <u>7,210,720</u> | <u>6,789,973</u> | <u>420,747</u> |
| Net Assets at End of Year | <u><u>\$7,757,561</u></u> | <u><u>\$7,210,720</u></u> | <u><u>\$546,841</u></u> |

Program receipts increased 21 percent from fiscal year 2011. Charges for services increased from an increase in open enrollment tuition in fiscal year 2012, an increase in tuition and excess costs charged to other school districts, and an increase in student cafeteria receipts from higher ala carte participation. Operating grants, contributions, and interest increased due to an increase in Education Jobs and Title I funding. Capital grants and contributions increased for a donation received for the purchase of iPads.

General receipts represent 83 percent of the School District's total receipts which is comparable to the prior fiscal year. Income tax receipts increased by 31 percent due to the rebounding economy. Grants and entitlements decreased due to the tangible personal property reimbursement being phased out and the elimination of budget stabilization funding.

The instruction program disbursements accounted for 49 percent of all disbursements. Instruction disbursements increased due to increased expenditures for Race to the Top, a local donation used for instructional technology, and employee salary increases. Special education disbursements increased due to an increase in learning disability salaries and fringes and an increase in Title I personnel.

Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 14.5 percent of governmental disbursements. Maintenance of the School District's facilities represents an additional 9.7 percent of program costs. These are all comparable to fiscal year 2011.

Instructional staff, fiscal, transportation, and extracurricular activity disbursements increased. Instructional staff disbursements increased from an increase in special education student aides and increases in software and technology purchases. Fiscal disbursements increased from the auditor and treasurer fees charged for the collection of property taxes. Transportation disbursements increased from the purchase of bus, an additional pre-school route, and increased costs for fuel and maintenance. Extracurricular activity disbursements mainly increased from a track resurfacing project.

New Bremen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Vocational and noninstructional service disbursements decreased in fiscal year 2012. Vocational instruction decreased from excess costs being reimbursed from the Tri Star Career Compact. Noninstructional service costs decreased from a decrease in cafeteria staffing hours and health care costs decreased from the retirement of an employee that was replaced with an employee that was not eligible for health care.

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 | |
|------------------------------------|------------------------------|--------------------|----------------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Instruction: | | | | |
| Regular | \$4,347,023 | \$4,273,137 | \$3,531,798 | \$3,802,046 |
| Special | 476,649 | 421,242 | 48,342 | (45,109) |
| Vocational | 149,995 | 179,704 | 84,177 | 116,160 |
| Support Services: | | | | |
| Pupils | 601,229 | 610,775 | 601,229 | 605,775 |
| Instructional Staff | 605,895 | 533,012 | 605,895 | 533,012 |
| Board of Education | 45,099 | 47,649 | 45,099 | 47,649 |
| Administration | 810,601 | 816,610 | 810,601 | 816,610 |
| Fiscal | 214,626 | 185,603 | 214,626 | 185,603 |
| Operation and Maintenance of Plant | 984,475 | 1,011,540 | 984,475 | 1,011,540 |
| Pupil Transportation | 257,694 | 130,866 | 239,364 | 114,381 |
| Central | 63,764 | 62,599 | 63,764 | 62,599 |
| Noninstructional Services | 306,976 | 329,670 | 3,119 | 28,766 |
| Extracurricular Activities | 431,399 | 405,929 | 276,241 | 252,832 |
| Debt Service: | | | | |
| Principal Retirement | 675,000 | 655,000 | 675,000 | 655,000 |
| Interest and Fiscal Charges | 130,338 | 152,819 | 130,338 | 152,819 |
| Total Disbursements | <u>\$10,100,763</u> | <u>\$9,816,155</u> | <u>\$8,314,068</u> | <u>\$8,339,683</u> |

Approximately 18 percent of the costs of services was financed through user charges and grants awarded for specific programs in fiscal year 2012, which is comparable to the prior fiscal year. The remaining 82 percent of total cost of services was financed through property taxes, income taxes, and unrestricted grants and entitlements.

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

New Bremen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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. The General Fund saw an overall increase in fund balance. Both receipts and disbursements increased from the prior fiscal year; however, receipts continued to be greater than disbursements in fiscal year 2012.

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 2012, 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, 2012, the School District's outstanding debt consisted of general obligation bonds, in the amount of \$2,832,996, issued for improvements to buildings. For further information regarding the School District's long-term obligations, refer to Note 12 to the basic financial statements.

CURRENT ISSUES

General fund receipts are expected to decrease. Anticipated increases in income tax receipts due to improvement in the economy and open enrollment receipts will be offset by a small decrease to unrestricted aid, a reduction of the tangible personal property tax reimbursements, and donations. Based on the five-year forecast, real estate tax receipts are expected to increase slightly due to new construction and the School District being at the twenty mill floor.

New Bremen Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

General fund appropriations increased by 4.1 percent in fiscal year 2013. Although base salaries were frozen, step increases for experienced staff increased approximately 1.5 percent and the School District is implementing all day, every day kindergarten which increases the staffing level by one teacher. The School District expects an increase in health insurance costs in January 2013 and an increase in family medical plans due to the increased staff. A large textbook adoption plan is planned to be purchased in fiscal year 2013.

The School District will not receive any additional federal stimulus or Education Jobs funding as had been received in the past three years, thereby increasing the General Fund appropriations.

The School District attempted a ballot issue in March 2012 for a property tax to build a new K-8 building utilizing Ohio School Facilities funding. The issue failed and the Board's plans are uncertain at this time if or when another issue will be put back on the ballot.

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
Statement of Net Assets - Cash Basis
June 30, 2012

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>Assets</u> | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$7,757,561</u> |
| <u>Net Assets</u> | |
| Restricted for: | |
| Debt Service | 1,043,259 |
| Capital Projects | 232,392 |
| Other Purposes | 228,467 |
| Unrestricted | <u>6,253,443</u> |
| Total Net Assets | <u><u>\$7,757,561</u></u> |

See accompanying notes to the basic financial statements

New Bremen Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

| | Program Cash Receipts | | | Capital Grants and Contributions | Governmental Activities | Net (Disbursement) Receipt and Change in Net Assets |
|---|-----------------------|-------------------------|---|--|----------------------------|---|
| | Disbursements | Charges for Services | Operating Grants, Contributions, and Interest | | | |
| Governmental Activities | | | | | | |
| Instruction: | | | | | | |
| Regular | \$4,347,023 | \$292,702 | \$517,143 | \$5,380 | | (\$3,531,798) |
| Special | 476,649 | 25,080 | 403,227 | 0 | | (48,342) |
| Vocational | 149,995 | 6,206 | 59,612 | 0 | | (84,177) |
| Support Services: | | | | | | |
| Pupils | 601,229 | 0 | 0 | 0 | | (601,229) |
| Instructional Staff | 605,895 | 0 | 0 | 0 | | (605,895) |
| Board of Education | 45,099 | 0 | 0 | 0 | | (45,099) |
| Administration | 810,601 | 0 | 0 | 0 | | (810,601) |
| Fiscal | 214,626 | 0 | 0 | 0 | | (214,626) |
| Operation and Maintenance of Plant | | | | | | |
| | 984,475 | 0 | 0 | 0 | | (984,475) |
| Pupil Transportation | 257,694 | 14,680 | 3,650 | 0 | | (239,364) |
| Central | 63,764 | 0 | 0 | 0 | | (63,764) |
| Noninstructional Services | 306,976 | 253,828 | 50,029 | 0 | | (3,119) |
| Extracurricular Activities | 431,399 | 154,880 | 278 | 0 | | (276,241) |
| Debt Service: | | | | | | |
| Principal Retirement | 675,000 | 0 | 0 | 0 | | (675,000) |
| Interest and Fiscal Charges | 130,338 | 0 | 0 | 0 | | (130,338) |
| Total Governmental Activities | \$10,100,763 | \$747,376 | \$1,033,939 | \$5,380 | | (8,314,068) |
| General Receipts | | | | | | |
| Property Taxes Levied for: | | | | | | |
| General Purposes | | | | | | 2,024,658 |
| Debt Service | | | | | | 700,748 |
| Permanent Improvements | | | | | | 73,096 |
| Income Taxes | | | | | | 1,762,902 |
| Payment in Lieu of Taxes | | | | | | 30,952 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | | 4,149,926 |
| Interest | | | | | | 79,304 |
| Miscellaneous | | | | | | 39,323 |
| Total General Receipts | | | | | | 8,860,909 |
| Change in Net Assets | | | | | | 546,841 |
| Net Assets at Beginning of Year | | | | | | 7,210,720 |
| Net Assets at End of Year | | | | | | \$7,757,561 |

See accompanying notes to the basic financial statements

New Bremen Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2012

| | <u>General</u> | <u>Bond Retirement</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|--------------------|----------------------------|-------------------------------|--------------------|
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$6,253,443</u> | <u>\$1,043,259</u> | <u>\$460,859</u> | <u>\$7,757,561</u> |
| <u>Fund Balances</u> | | | | |
| Restricted | 0 | 1,043,259 | 460,859 | 1,504,118 |
| Assigned | 14,569 | 0 | 0 | 14,569 |
| Unassigned | <u>6,238,874</u> | <u>0</u> | <u>0</u> | <u>6,238,874</u> |
| Total Fund Balances | <u>\$6,253,443</u> | <u>\$1,043,259</u> | <u>\$460,859</u> | <u>\$7,757,561</u> |

See accompanying notes to the basic financial statements

New Bremen Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

| | General | Bond Retirement | Other Governmental | Total |
|--|--------------------|--------------------|-----------------------|--------------------|
| <u>Receipts</u> | | | | |
| Property Taxes | \$2,024,658 | \$700,748 | \$73,096 | \$2,798,502 |
| Income Taxes | 1,762,902 | 0 | 0 | 1,762,902 |
| Payment in Lieu of Taxes | 30,952 | 0 | 0 | 30,952 |
| Intergovernmental | 4,163,842 | 222,197 | 555,022 | 4,941,061 |
| Interest | 78,139 | 0 | 1,712 | 79,851 |
| Tuition and Fees | 338,668 | 0 | 0 | 338,668 |
| Charges for Services | 0 | 0 | 253,828 | 253,828 |
| Extracurricular Activities | 0 | 0 | 154,880 | 154,880 |
| Gifts and Donations | 35,019 | 0 | 212,618 | 247,637 |
| Miscellaneous | 38,567 | 0 | 756 | 39,323 |
| Total Receipts | 8,472,747 | 922,945 | 1,251,912 | 10,647,604 |
| <u>Disbursements</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,898,813 | 0 | 448,210 | 4,347,023 |
| Special | 270,477 | 0 | 206,172 | 476,649 |
| Vocational | 149,995 | 0 | 0 | 149,995 |
| Support Services: | | | | |
| Pupils | 600,938 | 0 | 291 | 601,229 |
| Instructional Staff | 600,540 | 0 | 5,355 | 605,895 |
| Board of Education | 45,099 | 0 | 0 | 45,099 |
| Administration | 810,601 | 0 | 0 | 810,601 |
| Fiscal | 198,093 | 14,983 | 1,550 | 214,626 |
| Operation and Maintenance of Plant | 930,215 | 0 | 54,260 | 984,475 |
| Pupil Transportation | 257,694 | 0 | 0 | 257,694 |
| Central | 63,764 | 0 | 0 | 63,764 |
| Noninstructional Services | 0 | 0 | 306,976 | 306,976 |
| Extracurricular Activities | 255,143 | 0 | 176,256 | 431,399 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 675,000 | 0 | 675,000 |
| Interest and Fiscal Charges | 0 | 130,338 | 0 | 130,338 |
| Total Disbursements | 8,081,372 | 820,321 | 1,199,070 | 10,100,763 |
| Excess of Receipts Over Disbursements | 391,375 | 102,624 | 52,842 | 546,841 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | 0 | 0 | 15,000 | 15,000 |
| Transfers Out | (15,000) | 0 | 0 | (15,000) |
| Total Other Financing Sources (Uses) | (15,000) | 0 | 15,000 | 0 |
| Changes in Fund Balances | 376,375 | 102,624 | 67,842 | 546,841 |
| Fund Balances at Beginning of Year | 5,877,068 | 940,635 | 393,017 | 7,210,720 |
| Fund Balances at End of Year | \$6,253,443 | \$1,043,259 | \$460,859 | \$7,757,561 |

See accompanying notes to the basic financial statements

New Bremen Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| <u>Receipts</u> | | | | |
| Property Taxes | \$2,063,715 | \$1,964,673 | \$2,024,658 | \$59,985 |
| Income Taxes | 1,480,000 | 1,480,000 | 1,762,902 | 282,902 |
| Payment in Lieu of Taxes | 31,000 | 31,000 | 30,952 | (48) |
| Intergovernmental | 4,186,972 | 4,186,972 | 4,163,842 | (23,130) |
| Interest | 80,000 | 80,000 | 78,139 | (1,861) |
| Tuition and Fees | 266,950 | 266,950 | 338,668 | 71,718 |
| Gifts and Donations | 34,000 | 34,000 | 35,019 | 1,019 |
| Miscellaneous | 45,500 | 45,500 | 38,567 | (6,933) |
| Total Receipts | 8,188,137 | 8,089,095 | 8,472,747 | 383,652 |
| <u>Disbursements</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,108,075 | 4,108,075 | 3,894,506 | 213,569 |
| Special | 272,550 | 272,550 | 270,477 | 2,073 |
| Vocational | 157,808 | 157,808 | 149,995 | 7,813 |
| Other | 6,200 | 6,200 | 4,307 | 1,893 |
| Support Services: | | | | |
| Pupils | 617,628 | 617,628 | 600,938 | 16,690 |
| Instructional Staff | 627,456 | 627,456 | 602,638 | 24,818 |
| Board of Education | 48,940 | 48,940 | 47,599 | 1,341 |
| Administration | 859,920 | 859,920 | 810,601 | 49,319 |
| Fiscal | 200,500 | 200,500 | 198,093 | 2,407 |
| Operation and Maintenance of Plant | 945,720 | 945,720 | 930,215 | 15,505 |
| Pupil Transportation | 279,657 | 279,657 | 257,694 | 21,963 |
| Central | 80,350 | 80,350 | 63,764 | 16,586 |
| Extracurricular Activities | 273,510 | 273,510 | 255,933 | 17,577 |
| Total Disbursements | 8,478,314 | 8,478,314 | 8,086,760 | 391,554 |
| Excess of Receipts Over (Under) Disbursements | (290,177) | (389,219) | 385,987 | 775,206 |
| <u>Other Financing Uses</u> | | | | |
| Transfers Out | (25,000) | (25,000) | (15,000) | 10,000 |
| Changes in Fund Balance | (315,177) | (414,219) | 370,987 | 785,206 |
| Fund Balance at Beginning of Year | 5,870,427 | 5,870,427 | 5,870,427 | 0 |
| Prior Year Encumbrances Appropriated | 6,641 | 6,641 | 6,641 | 0 |
| Fund Balance at End of Year | \$5,561,891 | \$5,462,849 | \$6,248,055 | \$785,206 |

See accompanying notes to the basic financial statement:

New Bremen Local School District
Statement of Cash Basis Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Private Purpose Trust | Agency |
|--|-----------------------------|----------|
| <u>Assets</u> | | |
| Equity in Pooled Cash and Cash Equivalents | \$10,119 | \$21,447 |
| <u>Net Assets</u> | | |
| Endowments | \$10,000 | \$0 |
| Held for Students | 0 | 21,439 |
| Held for Staff | 0 | 8 |
| Held in Trust for Scholarships | 119 | 0 |
| Total Net Assets | \$10,119 | \$21,447 |

See accompanying notes to the basic financial statements

New Bremen Local School District
Statement of Change in Cash Basis Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

| | |
|--|------------------------|
| <u>Additions</u> | |
| Interest | \$84 |
| <u>Deductions</u> | |
| Noninstructional Services | <u>200</u> |
| Change in Net Assets | (116) |
| Net Assets at Beginning of Year | <u>10,235</u> |
| Net Assets at End of Year | <u><u>\$10,119</u></u> |
| See accompanying notes to the basic financial statements | |

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 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 523rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-five classified employees, fifty-nine certified teaching personnel, and five administrative employees who provide services to 841 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 Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 property taxes and related resources restricted for 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, committed, or assigned to a particular purpose.

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 noninstructional activities and for 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 object 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 function 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012, the School District invested in 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

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 2012 was \$78,139, which included \$11,486, 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. Capital Assets

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

G. 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.

H. 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.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use 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.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. 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.

Note 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;

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

Investments

As of June 30, 2012, the School District had the following investments.

| | Total | Less Than Six Months | More Than Two Years |
|--|--------------------|----------------------------|------------------------|
| Federal National Mortgage Association Notes | \$2,050,000 | \$0 | \$2,050,000 |
| Federal Home Loan Mortgage Corporation Notes | 1,150,000 | 0 | 1,150,000 |
| Federal Home Loan Bank Notes | 650,000 | 0 | 650,000 |
| STAR Ohio | 354,208 | 354,208 | 0 |
| Mutual Funds | 7,489 | 7,489 | 0 |
| Total | <u>\$4,211,697</u> | <u>\$361,697</u> | <u>\$3,850,000</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.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan 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 must maintain the highest rating provided by at least one nationally recognized standard rating service.

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

| | <u>Carrying Value</u> | <u>Percentage of Portfolio</u> |
|--|---------------------------|------------------------------------|
| Federal National Mortgage Association | \$2,050,000 | 48.67% |
| Federal Home Loan Mortgage Corporation | 1,150,000 | 27.30 |
| Federal Home Loan Bank | 650,000 | 15.43 |

Note 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, 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.

Note 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 and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

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, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

| | 2011 Second- Half Collections | | 2012 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real | \$100,365,240 | 97.74% | \$99,674,180 | 97.65% |
| Public Utility | 2,324,680 | 2.26 | 2,393,810 | 2.35 |
| Total Assessed Value | <u>\$102,689,920</u> | <u>100.00%</u> | <u>\$102,067,990</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$51.55 | | \$51.55 | |

Note 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.

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | Balance at 6/30/11 | Additions | Reductions | Balance at 6/30/12 |
|-------------------------------|-----------------------|-----------|------------|-----------------------|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$1,025,092 | \$0 | \$0 | \$1,025,092 |

(continued)

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| | Balance at 6/30/11 | Additions | Reductions | Balance at 6/30/12 |
|--|-----------------------|-----------|------------|-----------------------|
| Governmental Activities (continued) | | | | |
| Depreciable Capital Assets | | | | |
| Land Improvements | \$677,194 | \$0 | \$0 | \$677,194 |
| Buildings and Building Improvements | 13,647,458 | 7,455 | 0 | 13,654,913 |
| Improvements Other Than Buildings | 798,221 | 0 | 0 | 798,221 |
| Furniture, Fixtures, and Equipment | 1,002,241 | 42,268 | (11,916) | 1,032,593 |
| Vehicles | 504,304 | 128,794 | (59,135) | 573,963 |
| Total Depreciable Capital Assets | 16,629,418 | 178,517 | (71,051) | 16,736,884 |
| Governmental Activities Capital Assets | \$17,654,510 | \$178,517 | (\$71,051) | \$17,761,976 |

Note 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 2012, 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 |

Coverage provided by Cincinnati Insurance Company is as follows:

| | |
|-----------------------|--------------|
| Building and Contents | \$35,068,824 |
| Automobile Liability | 1,000,000 |
| Excess Liability | 3,000,000 |

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

For fiscal year 2012, 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 Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants of the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 9 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 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.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$470,979 and \$6,890 for the fiscal year ended June 30, 2012, \$476,176 and \$7,203 for the fiscal year ended June 30, 2011, and \$470,509 and \$7,098 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 percent has been contributed for both the DBP and the CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 was \$7,773 made by the School District and \$4,921 made by the plan members. In addition, member contributions of \$5,552 were made for fiscal year 2012 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$116,666, \$104,465 and \$107,048, respectively. For fiscal year 2012, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$37,357, \$37,698, and \$37,243, respectively. For fiscal year 2012, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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 105(e). For fiscal year 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$14,043 in surcharge.

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.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$5,052, \$12,649, and \$3,853, respectively. For fiscal year 2012, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, 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, 2012, 2011, and 2010 was \$6,890, \$6,723, and \$6,366, respectively. For fiscal year 2012, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 11 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. 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 American United Life 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.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

| | Balance at 6/30/11 | Additions | Reductions | Balance at 6/30/12 | Amounts Due Within One Year |
|---------------------------------------|-----------------------|------------|------------------|-----------------------|--------------------------------------|
| General Obligation Bonds | | | | | |
| 1991 Elementary Addition 6.55% | \$150,000 | \$0 | \$50,000 | \$100,000 | \$50,000 |
| 2005 Refunding School Improvement | | | | | |
| Serial Bonds 2.5 - 5.00% | 3,075,000 | 0 | 625,000 | 2,450,000 | 0 |
| Capital Appreciation Bonds 23.277% | 282,996 | 0 | 0 | 282,996 | 115,926 |
| Total General Obligation Bonds | \$3,507,996 | \$0 | \$675,000 | \$2,832,996 | \$165,926 |

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, 2012, all of the refunded bonds have been retired.

The School District's overall debt margin was \$7,181,938 with an unvoted debt margin of \$99,685 at June 30, 2012.

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

| Fiscal Year Ending | General Obligation Bonds | | | |
|-----------------------|--------------------------|------------------|----------------------|--------------------|
| | Serial | | Capital Appreciation | |
| | Principal | Interest | Principal | Interest |
| 2013 | \$50,000 | \$117,688 | \$115,926 | \$529,074 |
| 2014 | 50,000 | 114,412 | 93,016 | 551,984 |
| 2015 | 0 | 112,775 | 74,054 | 565,946 |
| 2016 | 645,000 | 100,681 | 0 | 0 |
| 2017 | 665,000 | 72,794 | 0 | 0 |
| 2018-2019 | 1,140,000 | 50,750 | 0 | 0 |
| Totals | <u>\$2,550,000</u> | <u>\$569,100</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.

Note 13 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balance | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|-------------------------|--------------------|--------------------|--------------------------|--------------------------|
| Restricted for: | | | | |
| Athletics and Music | \$0 | \$0 | \$41,793 | \$41,793 |
| Capital Improvements | 0 | 0 | 232,392 | 232,392 |
| Debt Service | 0 | 1,043,259 | 0 | 1,043,259 |
| Food Service Operations | 0 | 0 | 22,290 | 22,290 |
| Regular Instruction | 0 | 0 | 164,384 | 164,384 |
| Total Restricted | <u>0</u> | <u>1,043,259</u> | <u>460,859</u> | <u>1,504,118</u> |
| Assigned for: | | | | |
| Educational Activities | 9,971 | 0 | 0 | 9,971 |
| Unpaid Obligations | 4,598 | 0 | 0 | 4,598 |
| Total Assigned | <u>14,569</u> | <u>0</u> | <u>0</u> | <u>14,569</u> |
| Unassigned | 6,238,874 | 0 | 0 | 6,238,874 |
| Total Fund Balance | <u>\$6,253,443</u> | <u>\$1,043,259</u> | <u>\$460,859</u> | <u>\$7,757,561</u> |

New Bremen Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 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 acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the changes in the fund balance reserve for capital improvements during fiscal year 2012.

| | <u>Capital Improvements</u> |
|---------------------------------------|---------------------------------|
| Balance June 30, 2011 | \$0 |
| Current Year Set Aside Requirement | 150,644 |
| Current Year Offsets | <u>(150,644)</u> |
| Balance June 30, 2012 | <u>\$0</u> |

Note 15 - Interfund Transfers

During fiscal year 2012, the General Fund made transfers other governmental funds, in the amount of \$15,000, to subsidize the activities of other funds.

Note 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 \$119 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.

Note 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 2012, the School District paid \$48,918 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.

Note 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Corporate One, 220 Perry Street Suite 200, Fostoria, Ohio 44830.

C. Northern Buckeye Education Council 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 Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

Note 19 - Contingencies

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

SUPPLEMENTARY DATA

NEW BREMEN LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (A) PASS-THROUGH GRANT NUMBER | (B) CASH FEDERAL RECEIPTS | (B) CASH FEDERAL DISBURSEMENTS |
|---|----------------|--|------------------------------------|---|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | |
| (D) National School Lunch Program - Food Donation | 10.555 | 2012 | \$ 18,617 | \$ 18,617 |
| (C) National School Lunch Program | 10.555 | 2012 | <u>48,884</u> | <u>48,884</u> |
| Total National School Lunch Program | | | <u>67,501</u> | <u>67,501</u> |
| Total U.S. Department of Agriculture | | | <u>67,501</u> | <u>67,501</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2012 | <u>54,950</u> | <u>54,950</u> |
| Special Education_ Grants to States | 84.027 | 2012 | <u>151,222</u> | <u>151,222</u> |
| Educational Technology State Grants | 84.318 | 2012 | <u>388</u> | <u>388</u> |
| Improving Teacher Quality State Grants | 84.367 | 2012 | <u>27,782</u> | <u>27,782</u> |
| ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-top Incentive Grants, Recovery Act | 84.395A | 2012 | 38,826 | 38,826 |
| ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-top Incentive Grants, Recovery Act - My Voice | 84.395A | 2012 | 5,355 | 5,355 |
| ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-top Incentive Grants, Recovery Act - Ohio Resident Educator | 84.395A | 2012 | <u>350</u> | <u>350</u> |
| Total ARRA-State Fiscal Sstabilization Fund (SFSF)-Race-to-the-Top Incentive Grants, Recovery Act | | | <u>44,531</u> | <u>44,531</u> |
| Education Jobs Fund | 84.410 | 2012 | <u>198,420</u> | <u>198,420</u> |
| Total U.S. Department of Education | | | <u>477,293</u> | <u>477,293</u> |
| Total Federal Financial Assistance | | | <u>\$ 544,794</u> | <u>\$ 544,794</u> |

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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
901 East Monroe Street
New Bremen, Ohio 45869

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Bremen Local School District, Auglaize County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the New Bremen Local School District's basic financial statements and have issued our report thereon dated January 15, 2013, wherein we noted that the New Bremen Local School District uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the New Bremen Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the New Bremen Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the New Bremen Local 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the New Bremen Local School District's financial statements 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.

Board of Education
New Bremen Local School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
January 15, 2013



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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
901 East Monroe Street
New Bremen, Ohio 45869

To the Board of Education:

Compliance

We have audited the compliance of the New Bremen Local 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 the New Bremen Local School District's major federal program for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the New Bremen Local School District's major federal program. The New Bremen Local 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 opine on the New Bremen Local School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 New Bremen Local School District's compliance with these 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 New Bremen Local 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 its major federal program for the fiscal year ended June 30, 2012.

Board of Education
New Bremen Local School District

Internal Control Over Compliance

The New Bremen Local 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 New Bremen Local 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 New Bremen Local School District's internal control over compliance.

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 and Board of Education of New Bremen Local School District, others within New Bremen Local School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Julian & Grube, Inc.
January 15, 2013

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|--|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Program's Compliance Opinion</i> | Unqualified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under §.510(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Program (listed):</i> | Education Jobs Fund, CFDA #84.410 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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
APRIL 9, 2013**