



**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the New Bremen Local School District, Auglaize County, (the District) as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000 and 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 11, 2000

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	\$2,984,893	\$54,590	\$204,745	\$246,075
Investments				
Receivables:				
Property Taxes	2,484,407		704,592	71,509
Accounts	595	376		126
Intergovernmental	9,685	1,098		
Payment in Lieu of Taxes	53,920			
Accrued Interest				
Inventory Held For Resale				
Materials and Supplies Inventory	11,349			
Prepaid Items	50,074			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	87,587			
Cash and Cash Equivalents With Fiscal Agents				14,431
Fixed Assets:				
Land				
Land Improvements				
Buildings and Building Improvements				
Improvements Other Than Buildings				
Furniture, Fixtures, and Equipment				
Vehicles				
Other Fixed Assets				
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment				
Other Debits:				
Amount in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>\$5,682,510</u>	<u>\$56,064</u>	<u>\$909,337</u>	<u>\$332,141</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$2,708	\$0	\$0	\$15,666
Contracts Payable				6,616
Accrued Wages and Benefits	588,936	462		
Compensated Absences Payable	33,479			
Retainage Payable from Restricted Assets				14,431
Intergovernmental Payable	145,176			
Deferred Revenue	2,423,468		682,233	69,428
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>3,193,767</u>	<u>462</u>	<u>682,233</u>	<u>106,141</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved:				
Reserved for Encumbrances	4,320	120		21,395
Reserved for Bus Purchase	20,346			
Reserved for Inventory	11,349			
Reserved for Property Taxes	60,939		22,359	2,081
Reserved for Budget Stabilization	67,241			
Designated for Textbooks and Instructional Materials	2,893			
Designated for Budget Stabilization	39,431			
Unreserved	2,282,224	55,482	204,745	202,524
Total Fund Equity and Other Credits:	<u>2,488,743</u>	<u>55,602</u>	<u>227,104</u>	<u>226,000</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,682,510</u>	<u>\$56,064</u>	<u>\$909,337</u>	<u>\$332,141</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		TOTALS (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$26,814	\$60,029 10,900	\$0	\$0	\$3,577,146 10,900
1,312				3,260,508 2,409 10,783 53,920
	55			55
2,449				2,449
156				11,505
2,615				52,689
				87,587
				14,431
		912,040		912,040
		510,218		510,218
		12,519,323		12,519,323
		50,695		50,695
202,864		1,997,239		2,200,103
		403,488		403,488
		94,299		94,299
(37,091)				(37,091)
			227,104	227,104
			9,483,363	9,483,363
<u>\$199,119</u>	<u>\$70,984</u>	<u>\$16,487,302</u>	<u>\$9,710,467</u>	<u>\$33,447,924</u>
\$0	\$0	\$0	\$0	\$18,374 6,616
5,291				594,689
1,746			517,672	552,897
				14,431
15,249			27,702	188,127
2,261				3,177,390
	4,707			4,707
	55,238			55,238
			9,165,093	9,165,093
<u>24,547</u>	<u>59,945</u>	<u>0</u>	<u>9,710,467</u>	<u>13,777,562</u>
		16,487,302		16,487,302
187,057				187,057
(12,485)				(12,485)
				25,835 20,346 11,349 85,379 67,241
				2,893 39,431
	11,039			2,756,014
<u>174,572</u>	<u>11,039</u>	<u>16,487,302</u>	<u>0</u>	<u>19,670,362</u>
<u>\$199,119</u>	<u>\$70,984</u>	<u>\$16,487,302</u>	<u>\$9,710,467</u>	<u>\$33,447,924</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	TOTALS (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$2,435,581	\$0	\$698,834	\$70,692	\$0	\$3,205,107
Intergovernmental	2,414,078	118,507	68,540	7,841		2,608,966
Payment in Lieu of Taxes	98,185					98,185
Interest	214,862	2,779		28,028	661	246,330
Net Decrease in Fair Value of Investment				(8,571)		(8,571)
Tuition and Fees	32,785					32,785
Rent	4,360	375		1,200		5,935
Extracurricular Activities		166,490				166,490
Gifts and Donations				389,233		389,233
Miscellaneous	3,081	3,842		126		7,049
Total Revenues	5,202,932	291,993	767,374	488,549	661	6,751,509
Expenditures:						
Current:						
Instruction:						
Regular	2,781,929	4,825		20,606		2,807,360
Special	109,624	102,426				212,050
Vocational	216,413			2,836		219,249
Adult/Continuing		500				500
Other	30,261					30,261
Support Services:						
Pupils	217,337	2,570				219,907
Instructional Staff	155,070					155,070
Board of Education	37,610	3,839				41,449
Administration	559,983	2,761				562,744
Fiscal	95,723	228	7,646	736		104,333
Operation and Maintenance of Plant	522,565			62,273		584,838
Pupil Transportation	92,882					92,882
Central	25,054					25,054
Operation of Non-Instructional Services						
		938			600	1,538
Extracurricular Activities	131,431	158,672				290,103
Capital Outlay				942,803		942,803
Debt Service:						
Principal Retirement			315,000			315,000
Interest and Fiscal Charges			448,910			448,910
Total Expenditures	4,975,882	276,759	771,556	1,029,254	600	7,054,051
Excess of Revenues Over (Under) Expenditures	227,050	15,234	(4,182)	(540,705)	61	(302,542)
Other Financing Sources (Uses):						
Operating Transfers In		2,761		13,356		16,117
Proceeds from Sale of Fixed Assets	60					60
Operating Transfers Out	(16,117)					(16,117)
Total Other Financing Sources (Uses)	(16,057)	2,761	0	13,356	0	60
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	210,993	17,995	(4,182)	(527,349)	61	(302,482)
Fund Balances at Beginning of Year	2,279,134	37,607	231,286	753,349	10,978	3,312,354
Decrease In Inventory	(1,384)					(1,384)
Fund Balances at End of Year	\$2,488,743	\$55,602	\$227,104	\$226,000	\$11,039	\$3,008,488

See accompanying notes to the general purpose financial statements

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,440,000	\$2,426,439	(\$13,561)	\$0	\$0	\$0
Intergovernmental	2,380,000	2,421,597	41,597	121,272	118,007	(3,265)
Other Financing Sources		44,265	44,265			
Interest	156,000	226,357	70,357	1,150	2,779	1,629
Tuition and Fees	22,000	32,785	10,785			
Rent	4,000	4,360	360	315	375	60
Extracurricular Activities				137,345	166,219	28,874
Gifts and Donations						
Miscellaneous	3,000	1,137	(1,863)		3,842	3,842
Total Revenues	5,005,000	5,156,940	151,940	260,082	291,222	31,140
Expenditures:						
Current:						
Instruction:						
Regular	2,779,098	2,754,329	24,769	5,013	4,825	188
Special	111,661	110,371	1,290	102,426	102,426	
Vocational	219,741	215,086	4,655			
Adult/Continuing				500	500	
Other	61,645	32,565	29,080			
Support Services:						
Pupils	235,800	225,102	10,698	2,570	2,570	
Instructional Staff	177,122	152,173	24,949			
Board of Education	37,900	37,343	557	6,345	3,815	2,530
Administration	576,905	525,566	51,339	6,000	2,761	3,239
Fiscal	118,400	95,042	23,358	228	228	
Operation and Maintenance of Plant	531,657	511,607	20,050			
Pupil Transportation	123,831	88,328	35,503			
Central	25,400	25,369	31			
Non-Instructional Services				972	938	34
Extracurricular Activities	133,869	131,049	2,820	166,105	158,792	7,313
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	5,133,029	4,903,930	229,099	290,159	276,855	13,304
Excess of Revenues Over (Under) Expenditures	(128,029)	253,010	381,039	(30,077)	14,367	44,444
Other Financing Sources (Uses):						
Operating Transfers In					2,761	2,761
Proceeds From Sale of Fixed Assets		149	149			
Refund of Prior Year Expenditures		1,380	1,380			
Operating Transfers Out	(21,000)	(16,117)	4,883			
Contingencies	(8,000)		8,000			
Total Other Financing Sources (Uses)	(29,000)	(14,588)	14,412	0	2,761	2,761
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(157,029)	238,422	395,451	(30,077)	17,128	47,205
Fund Balance at Beginning of Year	2,826,782	2,826,782		37,342	37,342	
Prior Year Encumbrances Appropriated	2,756	2,756				
Fund Balances at End of Year	\$2,672,509	\$3,067,960	\$395,451	\$7,265	\$54,470	\$47,205

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$688,158	\$695,384	\$7,226	\$72,000	\$70,436	(\$1,564)	\$0	\$0	\$0
64,841	68,540	3,699	7,300	7,841	541			
			22,000	39,127	17,127	800	660	(140)
			1,200	1,200				
			332,432	389,233	56,801			
<u>752,999</u>	<u>763,924</u>	<u>10,925</u>	<u>434,932</u>	<u>507,837</u>	<u>72,905</u>	<u>800</u>	<u>660</u>	<u>(140)</u>
			21,106	21,106				
			3,000	2,836	164			
11,500	7,646	3,854	1,200	736	464			
			181,855	66,614	115,241			
						800	600	200
			1,901,707	1,870,555	31,152			
315,000	315,000							
449,423	448,910	513						
<u>775,923</u>	<u>771,556</u>	<u>4,367</u>	<u>2,108,868</u>	<u>1,961,847</u>	<u>147,021</u>	<u>800</u>	<u>600</u>	<u>200</u>
<u>(22,924)</u>	<u>(7,632)</u>	<u>15,292</u>	<u>(1,673,936)</u>	<u>(1,454,010)</u>	<u>219,926</u>	<u>0</u>	<u>60</u>	<u>60</u>
			3,000	13,356	10,356			
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>13,356</u>	<u>10,356</u>	<u>0</u>	<u>0</u>	<u>0</u>
(22,924)	(7,632)	15,292	(1,670,936)	(1,440,654)	230,282	0	60	60
212,377	212,377		196,442	196,442		10,924	10,924	
			1,478,233	1,478,233				
<u>\$189,453</u>	<u>\$204,745</u>	<u>\$15,292</u>	<u>\$3,739</u>	<u>\$234,021</u>	<u>\$230,282</u>	<u>\$10,924</u>	<u>\$10,984</u>	<u>\$60</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues:	
Sales	\$234,017
Other Revenues	1,312
	235,329
Operating Expenses:	
Salaries	78,588
Fringe Benefits	46,370
Purchased Services	11,402
Materials and Supplies	2,636
Cost of Sales	147,197
Depreciation	12,023
	298,216
Total Operating Expenses	298,216
Operating Loss	(62,887)
Non-Operating Revenues	
Federal Donated Commodities	20,575
Interest	817
Federal and State Subsidies	32,215
	53,607
Total Non-Operating Revenues	53,607
Net Loss	(9,280)
Retained Earnings (Deficit) at Beginning of Year	(3,205)
Retained Earnings (Deficit) at End of Year	(12,485)
Contributed Capital at Beginning of Year	28,725
Contribution from Other Funds	158,332
Contributed Capital at End of Year	187,057
Total Fund Equity at End of Year	\$174,572

See accompanying notes to the general purpose financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from Customers	\$234,748
Cash Payments to Suppliers for Goods and Services	(140,870)
Cash Payments to Employees for Services	(77,825)
Cash Payments for Employee Benefits	<u>(43,514)</u>
Net Cash Used for Operating Activities	<u>(27,461)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	<u>32,215</u>
Cash Flows from Investing Activities:	
Interest	<u>817</u>
Net Increase in Cash and Cash Equivalents	5,571
Cash and Cash Equivalents at Beginning of Year	<u>21,243</u>
Cash and Cash Equivalents at End of Year	<u><u>\$26,814</u></u>

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

Operating Loss	(\$62,887)
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**Adjustments to Reconcile Operating Loss to Net
Cash Used for Operating Activities**

Depreciation	12,023
Donated Commodities Used During Year	20,575
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(581)
Increase in Inventory Held for Resale	(54)
Increase in Materials and Supplies Inventory	(156)
Increase in Prepaid Items	(457)
Increase in Accrued Wages	632
Increase in Compensated Absences Payable	763
Increase in Intergovernmental Payable	<u>2,681</u>
Total Adjustments	<u>35,426</u>
Net Cash Used for Operating Activities	<u><u>(\$27,461)</u></u>

Non-Cash Capital Financing Activities

The building capital projects fund purchased assets in the amount of \$158,332 for lunchroom enterprise fund.

See accompanying notes to the general purpose financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$216,000	\$234,748	\$18,748
Interest		817	817
Federal and State Subsidies	33,200	32,215	(985)
Total Revenues:	<u>249,200</u>	<u>267,780</u>	<u>18,580</u>
Expenses:			
Salaries	77,908	77,825	83
Fringe Benefits	43,550	43,514	36
Purchased Services	11,495	11,402	93
Materials and Supplies	138,665	129,282	9,383
Capital Outlay	190	186	4
Total Expenses	<u>271,808</u>	<u>262,209</u>	<u>9,599</u>
Excess of Revenues Over (Under) Expenses	(22,608)	5,571	28,179
Fund Equity at Beginning of Year	<u>21,243</u>	<u>21,243</u>	
Fund Equity (Deficit) at End of Year	<u>(1,365)</u>	<u>26,814</u>	<u>28,179</u>

See accompanying notes to the general purpose financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1876 through the consolidation of existing land areas and school districts. The School District serves an area of approximately twenty-three square miles. It is located in Auglaize County, and includes all of the Village of New Bremen and portions of surrounding townships. It is staffed by thirty-five non-certificated employees, sixty-three certificated full-time teaching personnel and four administrative employees who provide services to 963 students and other community members. The School District currently operates two instructional building.

Reporting Entity:

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statement of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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. The School District does not have any component units.

The School District is associated with three jointly governed organization and two group purchasing pools. These organizations include West Central Regional Professional Development Center, Special Education Regional Resource Center, Western Ohio Computer Organization, Mercer/Auglaize Area Schools Employee Welfare Benefit Association, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

Governmental Fund Types:

General Fund - The general fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION (Continued)

Proprietary Fund Types (Continued)

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The School District's fiduciary fund types are:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group (GFAAG) - The GFAAG accounts for all fixed assets of the School District except those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group (GLTOAG) - The GLTOAG accounts for all unmatured principal on general long-term obligations except that which is accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is 60 days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have also been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Official Certificate of Estimated Resources which states the estimated beginning fund balance and projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

On or about July 1, the certificate is amended to include the actual unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of moneys are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR OHIO and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR OHIO) during fiscal year 2000. STAR OHIO is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR OHIO is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR OHIO are valued at STAR OHIO's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$214,862, which includes \$36,700 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Certain resources were also set aside for retainage held on contracts and is classified as restricted assets on the balance sheet because their use is limited by contract.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of twenty years.

The School District recorded water and sewer lines in the construction of the high-school as infrastructure.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis are recorded as receivable and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Entitlements are recorded as a receivable and revenue in the year intended to finance. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title VI-B
- Title I
- Title VI
- Financial Literacy Grant
- Conflict Management Grant

Capital Projects

- SchoolNet Plus

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 38 percent of the School District's Governmental operating revenue during the 2000 fiscal year.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all certified staff and classified staff that are eligible to retire with the next five years.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

L. Interfund Transactions

Quasi-external transactions are accounted for revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook and instructional materials, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1991, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

The School District's appropriations exceeded estimated revenues in the following funds:

	Estimated Revenue	Appropriations	Excess
Special Revenue Funds	\$287,803	\$290,159	\$2,356
Enterprise Funds	270,443	271,808	1,365

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis), All Governmental and Similar Fiduciary Fund Types and the Combined Statements of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budgetary Basis), Proprietary Fund Type, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental and Similar Fiduciary Fund Types**

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds
GAAP Basis	\$210,993	\$17,995	(\$4,182)	(\$527,349)	\$61
Adjustments:					
Revenue Accruals	(44,523)	(771)	(3,450)	10,717	(1)
Expenditure Accruals	86,146	24		(906,108)	
Net Change in Fair Value of Investments				8,571	
Outstanding Encumbrances at Fiscal Year End (Budget Basis)	(4,520)	(120)		(26,485)	
Change in Prepaids	(9,674)				
Budget Basis	<u>\$238,422</u>	<u>\$17,128</u>	<u>(\$7,632)</u>	<u>(\$1,440,654)</u>	<u>\$ 60</u>

**Net Income/Excess of Revenues Over (Under) Expenses
Proprietary Fund Type**

GAAP Basis	(\$9,280)
Adjustments:	
Revenue Accruals	(581)
Expense Accruals	4,076
Depreciation	12,023
Inventory	(210)
Prepaids	<u>(457)</u>
Budget Basis	<u>\$ 5,571</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current two-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 moneys. Interim moneys are those moneys 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim moneys may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR OHIO);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$150 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$229,568 and the bank balance was \$398,823. Of the bank balance \$114,431 was covered by federal depository insurance and \$284,392 in pledged securities. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement would potentially subject the School District to a successful claim by the FDIC.

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The School District's only investment at year-end was STAR Ohio in the amount of \$3,460,346. Investments in STAR Ohio are not classified since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/Deposit	Investments
GASB Statement 9	\$3,679,164	\$10,900
Cash on Hand	(150)	
Investments:		
Certificates of Deposit	10,900	(10,900)
STAR OHIO	(3,460,346)	3,460,346
GASB Statement 3	\$229,568	\$3,460,346

**NEW BREMEN LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. For 2000, real property taxes were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously. Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. For 2000, tangible personal property taxes were levied after April 1, 1999, on the value as of December 31, 1998, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize, Mercer and Shelby Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$60,939 in the General Fund, \$2,524 in the Debt Service Fund, \$19,835 in the New High School Debt Service Fund, and \$2,081 in the Replacement capital projects fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,190,620	53.87%	\$51,645,120	56.67%
Industrial/Commercial	11,687,070	13.93	12,529,810	13.75
Public Utility	3,927,520	4.68	3,692,700	4.05
Tangible Personal Property	<u>23,090,122</u>	<u>27.52</u>	<u>23,261,790</u>	<u>25.53</u>
Total Assessed Value	<u>\$83,895,332</u>	<u>100.00%</u>	<u>\$91,129,420</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$54.16		 \$54.16	

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Rent	\$3,500
Travel Reimbursement	3,064
Tuition	<u>3,121</u>
Total General Fund	<u>9,685</u>
Special Revenue Funds	
SchoolNet Professional Development	1,000
Athletic and Music	<u>98</u>
Total Special Revenue Funds	<u>1,098</u>
Total Intergovernmental Receivable	<u><u>\$10,783</u></u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$44,532
Furniture and Equipment Additions	<u>158,332</u>
Less Accumulated Depreciation	<u>(37,901)</u>
Net Fixed Asset	<u><u>\$165,773</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at June 30, 1999	Additions	Deletions	Balance at June 30, 2000
Land and Improvements	\$912,040	\$510,218	\$0	\$1,422,258
Buildings and Improvements	2,754,922	9,764,401	0	12,519,323
Improvements Other Than Buildings	0	50,695	0	50,695
Furniture, Fixtures and Equipment	1,298,270	729,821	30,852	1,997,239
Vehicles	364,123	39,365	0	403,488
Construction in Progress	10,071,753	0	10,071,753	0
Infrastructure	<u>0</u>	<u>94,299</u>	<u>0</u>	<u>94,299</u>
Totals	<u><u>\$15,401,108</u></u>	<u><u>\$11,188,799</u></u>	<u><u>\$10,102,605</u></u>	<u><u>\$16,487,302</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2000, the School District contracted with The Cincinnati Insurance Company for property insurance and with Nationwide Insurance for liability and fleet insurance.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 9 - RISK MANAGEMENT (Continued)

Coverage provided by Cincinnati Insurance are as follows:	
Building and contents - Replacement cost (\$1000 deductible)	\$23,530,761
Inland Marine Coverage (\$100 deductible)	126,888
Boiler and Machinery - Limit per accident (\$250 deductible)	10,000,000
Crime Insurance	2,000
Coverage provided by Nationwide Insurance are as follows:	
General Liability (Per occurrence)	\$1,000,000
(Total per Year)	5,000,000
Automobile Liability (\$1,000 deductible)	2,000,000

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

For fiscal year 2000, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (the Plan), an insurance pool (Note 17). The Plan is intended to reduce premiums for participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover costs of administering the program.

The School District participates in the Mercer/Auglaize Area Schools Employee Welfare Benefit Association (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and an educational service center. The School District pays monthly premiums to the Trust for medical and dental benefits. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$26,843, \$29,381, and \$51,996, respectively; 43.4 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$15,194 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$172,011, \$161,394, and \$354,861, respectively; 82.1 percent has been contributed for 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$30,806, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 – POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement System Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$236,208 for fiscal year 2000.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll; an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$59,655 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused credit to a maximum of 52 days for teachers, administrators and classified personnel.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical benefits through Mercer/Auglaize Area Schools Employee Welfare Benefit Association. The employees subscribing to a family plan pay \$22.50 per month, with the Board paying the remainder of the premium. The Board pays 100 percent of the monthly premium for single coverage.

Dental insurance is provided by the School District to all employees through Mercer/Auglaize Area Schools Employee Welfare Benefit Association. The School District provides life insurance to most employees through CoreSource Insurance Agency.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 13 - LONG-TERM DEBT

Long-term obligations of the School District as of June 30, 2000, were as follows:

	Outstanding 6-30-99	Additions	Deductions	Outstanding 6-30-00
General Obligation Bonds				
1991 6.55% Elementary Addition	\$750,000	\$0	\$50,000	\$700,000
1997 5.43% High School Bldg.	<u>8,675,277</u>	<u>54,816</u>	<u>265,000</u>	<u>8,465,093</u>
Total General Obligation Bonds	9,425,277	54,816	315,000	9,165,093
Other Long-Term Obligations				
Intergovernmental Payables	22,564	27,702	22,564	27,702
Compensated Absences	<u>467,688</u>	<u>49,984</u>	<u>0</u>	<u>517,672</u>
Total General Long-Term Obligations	<u>\$9,915,529</u>	<u>\$132,502</u>	<u>\$337,564</u>	<u>\$9,710,467</u>

Elementary Addition General Obligation Bonds - On December 1, 1991, the New Bremen Local School District issued \$1,100,000 in voted general obligation bonds for the purpose of constructing, improving, and equipping the Elementary School Building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2013. The bonds are supported by the full faith and credit of the School District and are retired with the proceeds of a 1.98 mill voted property tax levy recorded in the debt service fund.

1997 High School Building General Obligation Bonds - On March 1, 1997, the School District issued \$8,998,864 in voted general obligation bonds for the construction and equipping a new high school building and the repair of the elementary school building. The bond issue included term, current interest serial and capital appreciation serial bonds in the amount of \$4,250,000, \$4,165,000 and \$583,864 respectively. The bonds were issued for a twenty-two fiscal year period with final maturity during fiscal year 2018. The debt will be retired with a voted 8.86 mill property tax levy from the debt service fund.

The current interest serial bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2012 through 2017 (with the balance of \$470,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2012	\$550,000	2015	\$645,000
2013	580,000	2016	680,000
2014	610,000	2017	715,000

The current interest serial bonds maturing after December 1, 2007 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 December 1, 2007, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2008	101.0%
December 1, 2008 and thereafter	100.0%

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 13 - LONG-TERM DEBT (Continued)

The capital appreciation bonds will mature in fiscal years 2009, 2010, and 2011. The maturity amount of each bond is \$550,000. For fiscal year 2000, \$54,816 was accreted for a total bond value of \$750,093.

Compensated absences will be paid from the fund from which the person is paid. Intergovernmental payables are pension obligations that are classified as long term and will be paid from the fund from which the person is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000, are as follows:

<u>Fiscal Year June 30,</u>	<u>Total</u>
2001	\$749,704
2002	769,198
2003	762,348
2004	814,048
2005	779,243
2006-2018	<u>10,978,583</u>
Total	<u>\$14,853,124</u>

The School District's overall legal debt margin was (\$570,212) with an unvoted debt margin of \$91,129, at June 30, 2000. On September 25, 1996, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative legal debt margin.

NOTE 14 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional material, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999	\$929	\$0	\$67,241
Current Year Set-aside Requirement	121,890	121,890	0
Current Year Offsets	0	121,890	0
Qualifying Disbursements	<u>130,080</u>	<u>0</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 2000	<u>(7,261)</u>	<u>0</u>	<u>67,241</u>
Balance Carried Forward to FY 2001	<u>\$0</u>	<u>\$0</u>	<u>\$ 67,241</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the New Bremen Local School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Enterprise Fund Totals</u>
Operating Revenues	\$194,599	\$40,730	\$235,329
Depreciation Expense	12,023	0	12,023
Operating Income (Loss)	(70,570)	7,684	(62,887)
Donated Commodities	20,575	0	20,575
Federal and State Subsidies	32,215	0	32,215
Net Income (Loss)	(16,964)	7,684	(9,280)
Net Working Capital	(10,259)	20,804	10,545
Total Assets	178,315	20,804	199,119
Total Equity	153,768	20,804	174,572

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from the Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

West Central Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting the Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840-1817.

Western Ohio Computer Organization (WOCO) The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. 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 districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent. Financial information can be obtained from Lewis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 17 - GROUP INSURANCE PURCHASING POOL

Mercer/Auglaize Area Schools Employee Welfare Benefit Association The Mercer-Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust. Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

Ohio School Boards Association Workers' Compensation Group Rating Plan The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 18 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,201,060 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued to case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 19 - SUBSEQUENT EVENT

On November 9, 2000, the District approved increased appropriations in the amount of \$330,531. This additional appropriation was necessary to return tangible tax dollars to a local business, who had inadvertently mis-classified several items of inventory for tax years 1996 and 1997.

NOTE 20 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

Litigation:

The School District is involved in litigation concerning the new high school construction. The General Contractor has filed for arbitration against the School District in the amount of \$701,187.90 claiming the School District's foundation and steel structure contractors delayed the General Contractor. An arbitration hearing was held, and post-hearing briefs are required to be submitted by December 22, 2000. The arbitrator must issue a decision within thirty days of that date. At this time, it cannot be estimated as to the amount that the School District will be liable, if any.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,762,233	\$37,342	\$212,377	\$866,582
Investments				498,800
Receivables:				
Property Taxes	2,451,715		690,031	71,009
Accounts	120	45		
Intergovernmental	17,204	658		
Accrued Interest	570			
Inventory Held For Resale				
Materials and Supplies Inventory	12,733			
Prepaid Items	40,400			
Restricted Assets:				
Cash and Cash Equivalents	78,230			328,963
Fixed Assets:				
Land				
Buildings and Building Improvements				
Furniture, Fixtures, and Equipment				
Vehicles				
Construction in Progress				
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment				
Other Debits:				
Amount in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$5,363,205	\$38,045	\$902,408	\$1,765,354
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$1,867	\$0	\$0	\$2,250
Contracts Payable				611,108
Accrued Wages and Benefits	532,435	438		500
Compensated Absences Payable	4,915			
Retainage Payable from Restricted Assets				328,963
Intergovernmental Payable	144,936			
Deferred Revenue	2,399,918		671,122	69,184
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	3,084,071	438	671,122	1,012,005
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved:				
Reserved for Encumbrances	1,827			874,072
Reserved for Bus Purchase	10,060			
Reserved for Inventory	12,733			
Reserved for Property Taxes	51,797		18,909	1,825
Reserved for Textbooks	929			
Reserved for Budget Stabilization	67,241			
Unreserved (Deficit)	2,134,547	37,607	212,377	(122,548)
Total Fund Equity and Other Credits:	2,279,134	37,607	231,286	753,349
Total Liabilities, Fund Equity and Other Credits	\$5,363,205	\$38,045	\$902,408	\$1,765,354

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$21,243	\$58,625 10,900	\$0	\$0	\$3,958,402 509,700
				3,212,755
731	427 100			1,323 17,962
				570
5,589				5,589
				12,733
2,158				42,558
				407,193
		912,040		912,040
		2,754,922		2,754,922
44,532		1,298,270		1,342,802
		364,123		364,123
		10,071,753		10,071,753
(25,068)				(25,068)
			231,286	231,286
			9,684,243	9,684,243
<u>\$49,185</u>	<u>\$70,052</u>	<u>\$15,401,108</u>	<u>\$9,915,529</u>	<u>\$33,504,886</u>
\$0	\$0	\$0	\$0	\$4,117
				611,108
4,659				538,032
983			467,688	473,586
				328,963
12,568			22,564	180,068
5,455				3,145,679
	4,225			4,225
	54,849			54,849
			9,425,277	9,425,277
<u>23,665</u>	<u>59,074</u>	<u>0</u>	<u>9,915,529</u>	<u>14,765,904</u>
		15,401,108		15,401,108
28,725				28,725
(3,205)				(3,205)
				875,899
				10,060
				12,733
				72,531
				929
				67,241
	10,978			2,272,961
<u>25,520</u>	<u>10,978</u>	<u>15,401,108</u>	<u>0</u>	<u>18,738,982</u>
<u>\$49,185</u>	<u>\$70,052</u>	<u>\$15,401,108</u>	<u>\$9,915,529</u>	<u>\$33,504,886</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum) Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$2,437,011	\$0	\$692,452	\$71,081	\$0	\$3,200,544
Intergovernmental	2,321,824	112,065	59,395	7,045		2,500,329
Interest	163,096	1,161		284,686	658	449,601
Net Decrease in Fair Value of Investment				(8,335)		(8,335)
Tuition and Fees	20,699					20,699
Rent	3,500	390		1,217		5,107
Extracurricular Activities		129,266				129,266
Gifts and Donations	100			751,599		751,699
Miscellaneous	4,202					4,202
Total Revenues	4,950,432	242,882	751,847	1,107,293	658	7,053,112
Expenditures:						
Current:						
Instruction:						
Regular	2,560,616	17,885		69,650		2,648,151
Special	115,585	87,369				202,954
Vocational	208,528			3,000		211,528
Adult/Continuing				500		500
Other	81,695					81,695
Support Services:						
Pupils	128,224	570				128,794
Instructional Staff	114,782	11,650				126,432
Board of Education	28,710	4,164				32,874
Administration	466,031					466,031
Fiscal	120,296	228	7,261	718		128,503
Operation and Maintenance of Plant	351,760			30,004		381,764
Pupil Transportation	133,447					133,447
Central	21,140					21,140
Operation of Non-Instructional Services					600	600
Extracurricular Activities	125,075	129,427				254,502
Capital Outlay				7,415,226		7,415,226
Debt Service:						
Principal Retirement			305,000			305,000
Interest and Fiscal Charges			462,394			462,394
Total Expenditures	4,455,889	251,293	774,655	7,519,098	600	13,001,535
Excess of Revenues Over (Under) Expenditures	494,543	(8,411)	(22,808)	(6,411,805)	58	(5,948,423)
Other Financing Sources (Uses):						
Operating Transfers In				16,970		16,970
Proceeds from Sale of Fixed Assets	2,493					2,493
Operating Transfers Out	(16,970)					(16,970)
Total Other Financing Sources (Uses)	(14,477)	0	0	16,970	0	2,493
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	480,066	(8,411)	(22,808)	(6,394,835)	58	(5,945,930)
Fund Balances at Beginning of Year	1,799,068	46,018	254,094	7,148,184	10,920	9,258,284
Fund Balances at End of Year	\$2,279,134	\$37,607	\$231,286	\$753,349	\$10,978	\$3,312,354

The notes to the financial statements are an integral part of this statement.

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$2,575,000	\$2,434,269	(\$140,731)	\$0	\$0	\$0
Intergovernmental	2,167,400	2,330,909	163,509	111,667	111,565	(102)
Interest	156,000	152,244	(3,756)	1,150	1,161	11
Tuition and Fees	14,000	20,727	6,727			
Rent	4,000	3,500	(500)	315	390	75
Extracurricular Activities				135,095	129,738	(5,357)
Gifts and Donations		100	100			
Miscellaneous	3,000	1,431	(1,569)			
Total Revenues	4,919,400	4,943,180	23,780	248,227	242,854	(5,373)
Expenditures:						
Current:						
Instruction:						
Regular	2,568,365	2,535,738	32,627	18,500	17,885	615
Special	117,118	115,731	1,387	87,369	87,369	
Vocational	209,429	207,740	1,689			
Other	104,150	103,470	680			
Support Services:						
Pupils	143,367	127,501	15,866	570	570	
Instructional Staff	145,107	114,313	30,794	11,650	11,650	
Board of Education	29,900	29,182	718	5,072	3,726	1,346
Administration	477,532	466,241	11,291			
Fiscal	123,220	121,188	2,032	228	228	
Operation and Maintenance of Plant	354,392	349,836	4,556			
Pupil Transportation	154,235	133,061	21,174			
Central	22,500	20,063	2,437			
Extracurricular Activities	126,034	124,818	1,216	146,625	130,427	16,198
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	4,575,349	4,448,882	126,467	270,014	251,855	18,159
Excess of Revenues Over (Under) Expenditures	344,051	494,298	150,247	(21,787)	(9,001)	12,786
Other Financing Sources (Uses):						
Operating Transfers In						
Proceeds From Sale of Fixed Assets		2,404	2,404			
Refund of Prior Year Expenditures		2,761	2,761			
Operating Transfers Out	(15,700)	(16,970)	(1,270)			
Refund of Prior Year Receipt	(63,200)	(63,136)	64			
Contingencies	(8,000)		8,000			
Total Other Financing Sources (Uses)	(86,900)	(74,941)	11,959	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	257,151	419,357	162,206	(21,787)	(9,001)	12,786
Fund Balance (Deficit) at Beginning of Year	2,353,739	2,353,739		46,343	46,343	
Prior Year Encumbrances Appropriated	53,687	53,687				
Fund Balances at End of Year	\$2,664,577	\$2,826,783	\$162,206	\$24,556	\$37,342	\$12,786

See accompanying note to the financial statements

Governmental Fund Types						Fiduciary Fund Type		
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$681,068	\$691,129	\$10,061	\$73,000	\$70,969	(\$2,031)	\$0	\$0	\$0
55,410	59,395	3,985	7,500	7,045	(455)			
			221,500	273,869	52,369	800	604	(196)
			1,200	1,217	17			
			800,000	751,599	(48,401)			
<u>736,478</u>	<u>750,524</u>	<u>14,046</u>	<u>1,103,200</u>	<u>1,104,699</u>	<u>1,499</u>	<u>800</u>	<u>604</u>	<u>(196)</u>
			90,756	69,650	21,106			
			3,000	3,000				
11,500	7,261	4,239	1,200	718	482			
			129,342	46,933	82,409			
						800	600	200
			8,251,287	8,173,312	77,975			
305,000	305,000							
462,632	462,394	238						
<u>779,132</u>	<u>774,655</u>	<u>4,477</u>	<u>8,475,585</u>	<u>8,293,613</u>	<u>181,972</u>	<u>800</u>	<u>600</u>	<u>200</u>
(42,654)	(24,131)	18,523	(7,372,385)	(7,188,914)	183,471	0	4	4
			8,000	16,970	8,970			
<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000</u>	<u>16,970</u>	<u>8,970</u>	<u>0</u>	<u>0</u>	<u>0</u>
(42,654)	(24,131)	18,523	(7,364,385)	(7,171,944)	192,441	0	4	4
236,508	236,508		(240,944)	(240,944)		10,920	10,920	0
			7,609,330	7,609,330				
<u>\$193,854</u>	<u>\$212,377</u>	<u>\$18,523</u>	<u>\$4,001</u>	<u>\$196,442</u>	<u>\$192,441</u>	<u>\$10,920</u>	<u>\$10,924</u>	<u>\$4</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Revenues:	
Sales	\$178,330
Other Revenues	31
	<hr/>
Total Operating Revenues	178,361
	<hr/>
Operating Expenses:	
Salaries	54,657
Fringe Benefits	40,558
Purchased Services	6,228
Materials and Supplies	1,563
Cost of Sales	120,579
Depreciation	1,630
	<hr/>
Total Operating Expenses	225,215
	<hr/>
Operating Loss	(46,854)
	<hr/>
Non-Operating Revenues	
Federal Donated Commodities	17,244
Interest	427
Federal and State Subsidies	29,201
	<hr/>
Total Non-Operating Revenues	46,872
	<hr/>
Net Income	18
	<hr/>
Retained Earnings (Deficit) at Beginning of Year	(3,223)
	<hr/>
Retained Earnings (Deficit) at End of Year	(3,205)
	<hr/>
Contributed Capital at Beginning	
And End of Year	28,725
	<hr/>
Total Fund Equity at End of Year	<u><u>\$25,520</u></u>

The notes to the financial statements are an integral part of this statement.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$177,653
Cash Payments to Suppliers for Goods and Services	(111,140)
Cash Payments to Employees for Services	(54,567)
Cash Payments for Employee Benefits	<u>(40,043)</u>

Net Cash Used for Operating Activities (28,097)

Cash Flows from Noncapital Financing Activities:

Operating Grants Received 29,201

Cash Flows from Investing Activities:

Interest 427

Net Increase in Cash and Cash Equivalents 1,531

Cash and Cash Equivalents at Beginning of Year 19,712

Cash and Cash Equivalents at End of Year \$21,243

Reconciliation of Operating Loss to Net

Cash Used for Operating Activities:

Operating Loss (\$46,854)

Adjustments to Reconcile Operating Loss to Net
Cash Used for Operating Activities

Depreciation	1,630
Donated Commodities Used During Year	17,244
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(708)
Decrease in Prepaid Items	89
Decrease in Inventory Held for Resale	3,224
Decrease in Accounts Payable	(159)
Increase in Accrued Wages	82
Increase in Compensated Absences Payable	90
Increase in Intergovernmental Payable	344
Decrease in Deferred Revenue	<u>(3,079)</u>

Total Adjustments 18,757

Net Cash Used for Operating Activities (\$28,097)

The notes to the financial statements are an integral part of this statement.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$188,100	\$177,653	(\$10,447)
Interest		427	427
Federal and State Subsidies	33,200	29,201	(3,999)
	<u>221,300</u>	<u>207,281</u>	<u>(14,019)</u>
Total Revenues:			
Expenses:			
Salaries	56,499	54,567	1,932
Fringe Benefits	44,559	40,043	4,516
Purchased Services	9,200	6,387	2,813
Materials and Supplies	114,700	104,753	9,947
Capital Outlay	3,000		3,000
	<u>227,958</u>	<u>205,750</u>	<u>22,208</u>
Total Expenses			
Excess of Revenues Over (Under) Expenses	(6,658)	1,531	8,189
Fund Equity at Beginning of Year	19,712	19,712	
	<u>19,712</u>	<u>19,712</u>	
Fund Equity at End of Year	\$13,054	\$21,243	\$8,189

The notes to the financial statements are an integral part of this statement.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1876 through the consolidation of existing land areas and school districts. The School District serves an area of approximately twenty-three square miles. It is located in Auglaize County, and includes all of the Village of New Bremen and portions of surrounding townships. It is staffed by twenty-six non-certificated employees, sixty certificated full-time teaching personnel and four administrative employees who provide services to 970 students and other community members. The School District currently operates one instructional building.

Reporting Entity:

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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. The School District does not have any component units.

The School District is associated with three jointly governed organization and two group purchasing pools. These organizations include West Central Regional Professional Development Center, Special Education Regional Resource Center, Western Ohio Computer Organization, Mercer/Auglaize Area Schools Employee Welfare Benefit Association, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The School District's fiduciary fund types are:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group (GFAAG) - The GFAAG accounts for all fixed assets of the School District except those accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group (GLTOAG) - The GLTOAG accounts for all unmatured principal on general long-term obligations except that which is accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is 60 days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have also been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Official Certificate of Estimated Resources which states the estimated beginning fund balance and projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include the actual unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of moneys are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR OHIO, non-negotiable certificates of deposit, treasury notes, federal agency securities, and mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR OHIO) during fiscal year 1999. STAR OHIO is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR OHIO is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR OHIO are valued at STAR OHIO's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$163,096, which includes \$7,919 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and instructional materials, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 13 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

Certain resources were also set aside for retainage held on contracts and is classified as restricted assets on the balance sheet because their use is limited by contract.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of twenty years.

The School District does not possess any infrastructure.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis are recorded as receivable and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Entitlements are recorded as a receivable and revenue in the year intended to finance. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Special Revenue

- Textbook Subsidy

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title VI-B
- Title I
- Title VI
- Financial Literacy Grant
- Conflict Management Grant

Capital Projects

- SchoolNet Plus

Reimbursable Grants

General Fund

- Driver Education
- Proprietary Funds
 - National School Lunch Program
 - Government Donated Commodities

Grants and entitlements amounted to approximately 35.5 percent of the School District's Governmental operating revenue during the 1999 fiscal year.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all certified staff and classified staff that are eligible to retire with the next five years.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

Quasi-external transactions are accounted for revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook and instructional materials, and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1991, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis), All Governmental and Similar Fiduciary Fund Types and the Combined Statements of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budgetary Basis), Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Uses
All Governmental and Similar Fiduciary Fund Types**

	General	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$480,066	(\$8,411)	(\$22,808)	(\$6,394,835)	\$58
Revenue Accruals	(4,580)	(28)	(1,323)	(10,930)	(54)
Expenditure Accruals	(52,529)	(562)		703,718	
Net Change in Fair Value of Investments				8,335	
Changes in Prepays	(845)				
Year-End Encumbrances	(2,755)			(1,478,232)	
Budget Basis	<u>\$419,357</u>	<u>(\$9,001)</u>	<u>(\$24,131)</u>	<u>(\$7,171,944)</u>	<u>\$4</u>

**Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type**

GAAP Basis	\$18
Revenue Accruals	(708)
Expense Accruals	357
Changes in Inventory	145
Changes in Prepays	89
Depreciation	1,630
Budget Basis	<u>\$1,531</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the Board has identified as not required for use within the current two-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 moneys. Interim moneys are those moneys 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim moneys may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR OHIO);

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$1,714 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,026,812 and the bank balance was \$1,216,880. Of the bank balance \$334,231 was covered by federal depository insurance and \$882,649 in pledged securities. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement would potentially subject the School District to a successful claim by the FDIC.

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," requires that local governments disclose the fair value of investments, classified by risk. The School District's investments are categorized as either (1) insured or registered or for which the securities are held by the School District or its agent in the School District's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the School District's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Risk Category	Fair
	2	Value
Federal National Mortgage Association	\$498,800	\$498,800
STAR OHIO		3,335,104
Mutual Funds		12,865
Total		\$3,846,769

STAR OHIO, an investment pool operated by the Ohio State Treasurer and investments in mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,365,595	\$509,700
Cash on Hand	(1,714)	
Investments:		
Certificates of Deposit	10,900	(10,900)
Mutual Funds	(12,865)	12,865
StarOHIO	(3,335,104)	3,335,104
GASB Statement No. 3	<u>\$1,026,812</u>	<u>\$3,846,769</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

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

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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$51,797, \$2,101, \$16,808 and \$1,825, and is recognized as revenue in the general fund, debt service fund, new high school debt service fund, and replacement capital projects fund, respectively. The amount available as an advance at June 30, 1998, was \$49,056, \$1,954, \$15,632 and \$1,713 and is recognized as revenue in the general fund, debt service fund, new high school debt service fund, and replacement capital projects fund, respectively. The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$43,752,110	50.9 %	\$45,190,620	53.9 %
Industrial/Commercial	11,072,200	12.9 %	11,687,070	13.9 %
Public Utilities	2,570	0.0 %	10,060	0.0 %
Tangible Personal Property	27,098,610	31.6 %	23,090,122	27.5 %
Public Utility	3,959,540	4.6 %	3,917,460	4.7 %
Total	<u>\$85,885,030</u>	<u>100.0 %</u>	<u>\$83,895,332</u>	<u>100.0 %</u>
Tax rate per \$1000 of assessed valuation	\$54.16		\$54.16	

NOTE 6 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. A summary of the principal items of intergovernmental receivables follows:

General Fund	Amount
Rent	\$ 3,500
Travel Reimbursement	1,380
Vocational Education	3,618
Drivers Education	1,550
Tuition	<u>7,156</u>
Total General Fund	17,204
Special Revenue Funds	
SchoolNet Professional Development	500
Athletic and Music	<u>158</u>
Total Special Revenue Funds	658
Agency Fund	
Student Activity	<u>100</u>
Grand Total	<u>\$17,962</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 7 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$44,532
Less Accumulated Depreciation	<u>(25,068)</u>
Net Fixed Asset	<u>\$19,464</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 06/30/98	Additions	Deletions	Balance 06/30/99
Land and Improvements	\$ 586,040	\$ 326,000	\$0	\$912,040
Buildings and Improvements	2,754,922			2,754,922
Furniture, Fixtures and Equipment	1,135,079	183,470	20,279	1,298,270
Vehicles	309,656	54,467		364,123
Construction in Progress	<u>3,028,097</u>	<u>7,043,656</u>		<u>10,071,753</u>
Total	<u>\$7,813,794</u>	<u>\$7,607,593</u>	<u>\$ 20,279</u>	<u>\$15,401,108</u>

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999 the School District contracted with The Cincinnati Insurance Company for property insurance and with Nationwide Insurance for liability and fleet insurance.

Coverage provided by Cincinnati Insurance are as follows:

Building and Contents - Replacement cost (\$1,000 deductible)	\$12,526,761
Inland Marine Coverage (\$100 deductible)	126,888
Boiler and Machinery - Limit per accident (\$250 deductible)	750,000
Crime Insurance	2,000

Coverage provided by Nationwide Insurance are as follows:

General Liability	
Per occurrence	\$1,000,000
Total per Year	5,000,000
Automobile Liability (\$1,000 deductible)	2,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (the Plan), an insurance pool (Note 16). The Plan is intended to reduce premiums for participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - RISK MANAGEMENT (Continued)

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover costs of administering the program.

The School District participates in the Mercer/Auglaize Area Schools Employee Welfare Benefit Association (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and an educational service center. The School District pays monthly premiums to the Trust for medical and dental benefits. 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement benefits and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion to fund pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$29,381, \$51,996, and \$49,125, respectively; 40.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$17,375 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$161,394, \$354,861, and \$333,198, respectively; 83.0 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$27,442 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 – POST EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$53,797 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$52,482 during the 1999 fiscal year.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 – POST EMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Administrators and classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one fourth days per month. Sick leave may be accumulated up to a maximum of 206 days for teachers, administrators, and classified personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused credit to a maximum of 48 days for teachers, administrators and classified personnel.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical benefits through Mercer/Auglaize Area Schools Employee Welfare Benefit Association. The employees subscribing to a family plan pay \$22.50 per month, with the Board paying the remainder of the premium. The Board pays 100 percent of the monthly premium for single coverage. Dental insurance is provided by the School District to all employees through Mercer/Auglaize Area Schools Employee Welfare Benefit Association. The School District provides life insurance to most employees through CoreSource Insurance Agency.

NOTE 12 - LONG-TERM DEBT

Long-term obligations of the School District as of June 30, 1999, were as follows:

	Principal Outstanding 06/30/98	Additions	Reductions	Principal Outstanding 06/30/99
General Long-Term Obligations				
1991 6.55% Elementary Addition	\$ 800,000	\$0	\$ 50,000	\$ 750,000
1987 5.43% High School Building	<u>8,879,467</u>	<u>50,810</u>	<u>255,000</u>	<u>8,675,277</u>
Total General Long-Term Obligations	9,679,467	50,810	305,000	9,425,277
Other Long-Term Obligations				
Intergovernmental Payable	22,288	22,564	22,288	22,564
Compensated Absences	<u>423,966</u>	<u>43,722</u>		<u>467,688</u>
Total Long-Term Obligations	<u>\$10,125,921</u>	<u>\$117,096</u>	<u>\$327,488</u>	<u>\$9,915,529</u>

Elementary Addition General Obligation Bonds - On December 1, 1991, the New Bremen Local School District issued \$1,100,000 in voted general obligation bonds for the purpose of constructing, improving, and equipping the Elementary School Building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2013. The bonds are supported by the full faith and credit of the School District and are retired with the proceeds of a 1.98 mill voted property tax levy recorded in the debt service fund.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - LONG-TERM DEBT (Continued)

1997 School Facilities Bonds - On March 1, 1997, the School District issued \$8,998,864 in voted general obligation bonds for the construction and equipping a new high school building and the repair of the elementary school building. The bond issue included term, current interest serial and capital appreciation serial bonds in the amount of \$4,250,000, \$4,165,000 and \$583,864 respectively. The bonds were issued for a twenty-two fiscal year period with final maturity during fiscal year 2018. The debt will be retired with a voted 8.86 mill property tax levy from the debt service fund.

The current interest serial bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2012 through 2017 (with the balance of \$470,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2012	\$550,000	2015	\$645,000
2013	580,000	2016	680,000
2014	610,000	2017	715,000

The current interest serial bonds maturing after December 1, 2007 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 December 1, 2007, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Prices</u>
December 1, 2007 through November 30, 2008	101.0%
December 1, 2008 and thereafter	100.0%

The capital appreciation bonds will mature in fiscal years 2009, 2010, and 2011. The maturity amount of each bond is \$550,000. For fiscal year 1999, \$50,810 was accreted for a total bond value of \$695,277.

Compensated absences will be paid from the fund from which the person is paid. Intergovernmental payables are pension obligations that are classified as long term and will be paid from the fund from which the person is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Total</u>
2000	\$763,910
2001	749,704
2002	769,198
2003	762,348
2004	814,048
2005 - 2018	<u>11,757,826</u>
Total	<u><u>\$15,617,034</u></u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - LONG-TERM DEBT (Continued)

The School District's overall legal debt margin was (\$1,643,141) with an unvoted debt margin of \$83,898, at June 30, 1999. On September 25, 1996, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative legal debt margin.

NOTE 13 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional material, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$25,398	
Current Year Set-aside Requirement	83,686	83,686	41,843	
Current Year Offsets	14,161	83,686		
Qualifying Disbursements	68,596			
Cash Carried Forward to Fiscal Year 2000	\$929		\$67,241	
Amount Restricted for Bus Purchases				<u>10,060</u>
Total Restricted Assets				<u><u>\$78,230</u></u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the New Bremen Local School District as of and for the fiscal year ended June 30, 1999.

	Lunchroom	Uniform School Supplies	Total
Operating Revenues	\$139,299	\$39,062	\$178,361
Depreciation	1,630		1,630
Operating Income (Loss)	(48,550)	1,696	(46,854)
Federal Donated Commodities	17,244		17,244
Federal and State Subsidies	29,201		29,201
Net Income	(1,678)	1,696	18
Net Working Capital	3,274	13,121	16,395
Total Assets	36,064	13,121	49,185
Total Fund Equity	12,399	13,121	25,520

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from the Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting the Dorothy Oldham, Treasurer at the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840-1817.

Western Ohio Computer Organization (WOCO) The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. 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 districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent. Financial information can be obtained from Lewis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

NOTE 16 - GROUP INSURANCE PURCHASING POOLS

Mercer/Auglaize Area Schools Employee Welfare Benefit Association The Mercer-Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - GROUP INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 17 - SCHOOL FUNDING/SUBSEQUENT EVENT

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,085,017 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "... the mandate of the [Ohio] Constitution has not been fulfilled." The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision; however, it found seven "... major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on the local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the States's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 19 - CONTINGENCIES (Continued)

Litigation:

The School District is involved in litigation concerning the new high school construction. Two prime contractors filed for arbitration claiming damages of \$380,386 due to the project being delayed by several months. In return the School District filed to have the General Contractor brought into the arbitration because it is the School District's position that the delays were caused by the General Contractor. The General Contractor then counter-sued the School District for \$701,187.90 claiming the School District's foundation and steel structure contractors delayed the General Contractor. A preliminary hearing was held in October, 1999, with no movement by any party. The arbitration hearing is set to begin in December, 1999. At this time, it cannot be estimated as to the amount that the School District will be liable.

In a related matter, the School District has received seven liens amounting to \$412,715, with another \$167,511 unasserted claims from sub-contractors of the General Contractor. The School District still owes the General Contractor \$181,322 in retainage payable. Legal counsel has requested that the remaining retainage be held until decisions on the settlement of the arbitration and liens have been finalized. Payments in excess of the retainage will then be filed against the General Contractor's surety company.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the New Bremen Local School District, Auglaize County, (the District) as of and for the years ended June 30, 2000 and June 30, 1999, and have issued our report thereon dated December 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 11, 2000.

New Bremen Local School District
Auglaize County
Report of Independent Accountants on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

December 11, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JANUARY 16, 2001**