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AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

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INDEPENDENT ACCOUNTANTS REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of New Bremen Local School District, Auglaize County, (the School District) as of and for the year ended June 30, 2002, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of New Bremen Local School District, Auglaize County, as of June 30, 2002, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Additionally, the School District changed the capital asset capitalization threshold as described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2002 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 13, 2002

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The discussion and analysis of New Bremen Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2002 are as follows:

In total, the School District's net assets virtually remained the same. However, unrestricted net assets decreased by \$380 thousand, which is a 19 percent decrease from fiscal year 2001.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand New Bremen Local School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

In the statement of net assets and the statement of activities, the School District reports governmental activities. All of the School District's programs and services are reported here, including instruction, support services, noninstructional services, and extracurricular activities expenditures. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2002 compared to fiscal year 2001.

**Table I
Net Assets
(In Thousands)**

	Governmental Activities	
	2002	2001
<u>Assets</u>		
Current and Other Assets	\$6,943	\$7,194
Capital Assets, Net	14,569	14,649
Total Assets	21,512	21,843
<u>Liabilities</u>		
Current and Other Liabilities	4,297	4,323
Long-Term Liabilities	9,123	9,410
Total Liabilities	13,420	13,733
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	5,946	5,739
Restricted	529	374
Unrestricted	1,617	1,997
Total Net Assets	\$8,092	\$8,110

Total net assets for governmental activities decreased \$18 thousand. This includes an increase in invested in capital assets, net of related debt created from the repayment of debt principal being greater than the annual depreciation expense. Restricted net assets also increased from replacement funds not being expended and monies received to provide access to buildings for disabled persons.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Changes in Net Assets
(In Thousands)**

	Governmental Activities
	2002
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$510
Operating Grants, Contributions, and Interest	567
Capital Grants and Contributions	94
Total Program Revenues	1,171
General Revenues	
Property Taxes	3,314
Grants and Entitlements not Restricted to Specific Programs	2,940
Interest	100
Miscellaneous	21
Total General Revenues	6,375
Total Revenues	7,546
<u>Program Expenses</u>	
Instruction	4,072
Support Services	2,254
Noninstructional Services	314
Extracurricular Activities	442
Interest and Fiscal Charges	482
Total Expenses	7,564
Decrease in Net Assets	\$18

The major program expenses for instruction are regular, special, and vocational instruction, which account for 54 percent of all governmental expenses. Support services which include administration, fiscal, operation and maintenance of plant, and pupil transportation expenses also represents a significant amount of the School District's governmental expenses, 30 percent. These two programs alone represent almost all of the general expenses of the School District and are funded almost entirely from property taxes and State shared revenues.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to fiscal year 2001 have not been made since they are not available for this year.

**Table 3
Governmental Activities
(In Thousands)**

	Total Cost of Services	Net Cost of Services
	2002	2002
Instruction	\$4,072	\$3,635
Support Services	2,254	2,024
Noninstructional Services	314	36
Extracurricular Activities	442	217
Interest and Fiscal Charges	482	482
Total Expenses	\$7,564	\$6,394

It should be noted that for all governmental activities, over 84 percent of the revenues to provide these services are derived from the School District's general revenues; that being primarily property taxes and State shared revenues. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

The School District's major governmental funds are the General Fund and Bond Retirement debt service fund. The net change in fund balances in the General Fund reflects a decrease of \$390,026. During fiscal year 2002, the School District did not receive any payment in lieu of taxes based on no personnel growth in the corporation that received the abatement. Also, due to changes in Ohio law, tangible personal property assessed valuations decreased significantly which accordingly decreased those property taxes based on the assessment. Interest rates dropped significantly which reduced the related revenue. Salaries increased due to a 7.4 percent increase based on union negotiations and an increase in teaching and custodial staff. Medical insurance premiums increased 10.5 percent during fiscal year 2002. Property tax revenues were sufficient to pay the debt service requirements

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. The original appropriations were increased from fiscal year 2001 based on salary increases according to union negotiations, medical insurance premiums, and open enrollment costs.

The final appropriations decreased from the original budget by \$70 thousand which was generated from reducing the appropriation for the amount to be transferred to other funds.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School District's investment in capital assets for governmental activities as of June 30, 2002, was \$14,568,597 (net of accumulated depreciation). This investment in capital assets includes land; buildings; improvements other than buildings; equipment; furniture and fixtures; and vehicles. Although total capital assets increased by \$224 thousand, depreciation expense amounted to \$302 thousand. Note 9 to the basic financial statements provides details on the capital asset activity during fiscal year 2002.

The School District had two general obligation bonds outstanding for \$8,623,013 of which all will be repaid from voted property tax levies of 10.84 mills.

In addition to the debt outlined above, the School District's long-term debt also includes compensated absences. Note 14 provides additional details regarding debt.

CURRENT ISSUES

The New Bremen Local School District is financially stable. However, future finances are not without challenges as our community changes and State funding is revised. Some of those challenges are in the future of State funding for schools in light of the eleven year old DeRolph court case and the long-term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

REQUEST FOR INFORMATION

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2002**

	<u>Governmental Activities</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,349,946
Accounts Receivable	11,718
Intergovernmental Receivable	74,258
Prepaid Items	18,457
Property Taxes Receivable	3,488,909
Nondepreciable Capital Assets	953,783
Depreciable Capital Assets, Net	<u>13,614,814</u>
 Total Assets	 <u>21,511,885</u>
<u>Liabilities</u>	
Accrued Wages and Benefits Payable	689,230
Accounts Payable	407
Contracts Payable	61,571
Intergovernmental Payable	162,225
Accrued Interest Payable	34,247
Retainage Payable	2,825
Deferred Revenue	3,346,717
Long-Term Liabilities	
Due Within One Year	413,232
Due in More Than One Year	<u>8,709,490</u>
 Total Liabilities	 <u>13,419,944</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	5,945,584
Restricted for:	
Debt Service	210,397
Capital Projects	283,581
Other Purposes	79,318
Unrestricted	<u>1,573,061</u>
 Total Net Assets	 <u><u>\$8,091,941</u></u>

See accompanying notes to the basic financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
<u>Governmental Activities</u>					
Instruction:					
Regular	\$3,497,226	\$71,409	\$56,323		(\$3,369,494)
Special	352,284		241,417		(110,867)
Vocational	222,868		67,301		(155,567)
Support Services:					
Pupils	301,517		6,366		(295,151)
Instructional Staff	235,058		4,575		(230,483)
Board of Education	48,048		5,000		(43,048)
Administration	686,044		385		(685,659)
Fiscal	147,540		342		(147,198)
Operation and Maintenance of Plant	677,982		15,415	82,845	(579,722)
Pupil Transportation	126,370		105,280	10,869	(10,221)
Central	32,078				(32,078)
Noninstructional Services	314,092	214,478	63,939		(35,675)
Extracurricular Activities	441,846	223,655	998		(217,193)
Interest and Fiscal Charges	481,606				(481,606)
Total Governmental Activities	<u>7,564,559</u>	<u>509,542</u>	<u>567,341</u>	<u>93,714</u>	<u>(6,393,962)</u>

General Revenues

Property Taxes Levied for:	
General Puposos	2,511,332
Debt Service	718,278
Permanent Improvements	84,425
Grants and Entitlements Not Restricted to Specific Program	2,939,647
Interest	100,270
Miscellaneous	21,423
Total General Revenues	<u>6,375,375</u>
Change in Net Assets	(18,587)
Net Assets Beginning of Year (See Note 3)	<u>8,110,528</u>
Net Assets End of Year	<u>\$8,091,941</u>

See accompanying notes to the basic financial statements

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,745,845	\$210,819	\$327,177	\$3,283,841
Accounts Receivable	11,718			11,718
Intergovernmental Receivable	7,940		66,318	74,258
Prepaid Items	6,516		11,941	18,457
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	66,105			66,105
Property Taxes Receivable	2,654,880	746,338	87,691	3,488,909
Total Assets	<u>5,493,004</u>	<u>957,157</u>	<u>493,127</u>	<u>6,943,288</u>
Liabilities and Fund Balances				
Liabilities				
Accrued Wages and Benefits Payable	681,148		8,082	689,230
Accounts Payable	407			407
Contracts Payable			61,571	61,571
Intergovernmental Payable	111,771		3,101	114,872
Retainage Payable			2,825	2,825
Deferred Revenue	2,567,002	715,437	88,044	3,370,483
Total Liabilities	<u>3,360,328</u>	<u>715,437</u>	<u>163,623</u>	<u>4,239,388</u>
Fund Balances				
Reserved for Property Taxes	96,043	30,901	3,630	130,574
Reserved for Textbooks	44,218			44,218
Reserved for Bus Purchases	21,887			21,887
Reserved for Encumbrances	1,501		197,307	198,808
Unreserved, Reported in				
General Fund	1,969,027			1,969,027
Special Revenue Funds			46,572	46,572
Debt Service Fund		210,819		210,819
Capital Projects Funds			81,995	81,995
Total Fund Balances	<u>2,132,676</u>	<u>241,720</u>	<u>329,504</u>	<u>2,703,900</u>
Total Liabilities and Fund Balances	<u>\$5,493,004</u>	<u>\$957,157</u>	<u>\$493,127</u>	<u>\$6,943,288</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2002**

Total Governmental Fund Balances	\$2,703,900
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	14,568,597
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	1,809	
Intergovernmental Receivable	10,339	
Property Taxes Receivable	11,618	
		23,766

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, are not reported in the funds	(47,353)
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest Payable	(34,247)	
Compensated Absences Payable	(499,709)	
General Obligation Bonds Payable	(8,623,013)	
		(9,156,969)

Net Assets of Governmental Activities	<u><u>\$8,091,941</u></u>
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See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
Revenues				
Property Taxes	\$2,510,602	\$718,057	\$84,400	\$3,313,059
Intergovernmental	3,166,705	72,371	338,414	3,577,490
Interest	96,884		4,716	101,600
Tuition and Fees	68,550			68,550
Charges for Services			214,478	214,478
Extracurricular Activities			186,278	186,278
Gifts and Donations			38,805	38,805
Miscellaneous	16,117		38,692	54,809
Total Revenues	5,858,858	790,428	905,783	7,555,069
Expenditures				
Current:				
Instruction:				
Regular	3,333,238		71,917	3,405,155
Special	145,658		118,717	264,375
Vocational	206,611		3,436	210,047
Other	81,253			81,253
Support Services:				
Pupils	277,204		10,277	287,481
Instructional Staff	215,338		4,523	219,861
Board of Education	38,679		6,100	44,779
Administration	675,687		269	675,956
Fiscal	123,097	15,728	2,191	141,016
Operation and Maintenance of Plant	674,894		76,589	751,483
Pupil Transportation	155,749			155,749
Central	32,078			32,078
Noninstructional Services			303,271	303,271
Extracurricular Activities	152,883		207,222	360,105
Capital Outlay	2,347		70,269	72,616
Debt Service:				
Principal Retirement		350,000		350,000
Interest and Fiscal Charges		419,198		419,198
Total Expenditures	6,114,716	784,926	874,781	7,774,423
Excess of Revenues Over (Under) Expenditures	(255,858)	5,502	31,002	(219,354)
Other Financing Sources (Uses)				
Transfers - In			134,168	134,168
Transfers - Out	(134,168)			(134,168)
Total Other Financing Sources (Uses)	(134,168)		134,168	
Net Change in Fund Balances	(390,026)	5,502	165,170	(219,354)
Fund Balances at Beginning of Year (See Note 3)	2,522,702	236,218	164,334	2,923,254
Fund Balances at End of Year	\$2,132,676	\$241,720	\$329,504	\$2,703,900

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Net Change in Fund Balances - Total Governmental Funds (\$219,354)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Capital Outlay - Construction in Progress	\$78,691	
Capital Outlay - Depreciable Capital Assets	145,519	
Depreciation	<u>(301,920)</u>	(77,710)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(2,700)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	976	
Intergovernmental	(18,238)	
Tuition and Fees	2,859	
Miscellaneous	<u>5,306</u>	(9,097)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

350,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Annual Accretion	(63,781)	
Accrued Interest Payable	<u>1,373</u>	(62,408)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	1,912	
Compensated Absences Payable	<u>770</u>	<u>2,682</u>

Change in Net Assets of Governmental Activities

(\$18,587)

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$2,675,449	\$2,675,449	\$2,489,284	(\$186,165)
Payment in Lieu of Taxes	24,000	24,000		(24,000)
Intergovernmental	3,015,151	3,159,140	3,166,835	7,695
Interest	200,000	200,000	96,884	(103,116)
Tuition and Fees	72,000	72,000	70,359	(1,641)
Miscellaneous	9,500	9,500	9,424	(76)
Total Revenues	5,996,100	6,140,089	5,832,786	(307,303)
Expenditures				
Current:				
Instruction:				
Regular	3,327,685	3,331,735	3,265,029	66,706
Special	145,772	145,772	143,039	2,733
Vocational	236,996	231,496	231,226	270
Other	50,000	81,700	81,635	65
Support Services:				
Pupils	228,061	287,711	284,756	2,955
Instructional Staff	226,073	215,243	207,666	7,577
Board of Education	47,800	38,000	37,309	691
Administration	688,905	661,825	656,679	5,146
Fiscal	126,142	126,142	122,221	3,921
Operation and Maintenance of Plant	644,803	668,703	666,529	2,174
Pupil Transportation	187,090	189,740	166,413	23,327
Central	33,000	31,900	31,724	176
Extracurricular Activities	148,855	152,655	152,513	142
Capital Outlay	15,000	2,400	2,347	53
Total Expenditures	6,106,182	6,165,022	6,049,086	115,936
Excess of Revenues Under Expenditures	(110,082)	(24,933)	(216,300)	(191,367)
Other Financing Sources (Uses)				
Transfers In	151,470	66,651		(66,651)
Transfers Out	(263,000)	(134,171)	(134,168)	3
Total Other Financing Sources (Uses)	(111,530)	(67,520)	(134,168)	(66,648)
Net Change in Fund Balance	(221,612)	(92,453)	(350,468)	(258,015)
Fund Balance at Beginning of Year	3,160,917	3,160,917	3,160,917	
Fund Balance at End of Year	<u>\$2,939,305</u>	<u>\$3,068,464</u>	<u>\$2,810,449</u>	<u>(\$258,015)</u>

See accompanying notes to the basic financial statements.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$74	\$44,582
Investments	10,900	
Accrued Interest Receivable	27	
Total Assets	11,001	\$44,582
Liabilities		
Due to Students		\$39,705
Undistributed Money		4,877
Total Liabilities		\$44,582
Net Assets		
Held in Trust for Students	\$11,001	

See accompanying notes to the basic financial statements.

NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Private Purpose Trust</u>
Additions	
Interest	\$497
Deductions	
Noninstructional Services	<u>600</u>
Change in Net Assets	(103)
Net Assets Beginning of Year	<u>11,104</u>
Net Assets End of Year	<u><u>\$11,001</u></u>

See accompanying notes to the basic financial statements.

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**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is the 486th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by thirty-two classified employees, sixty-six certified teaching personnel, and five administrative employees who provide services to nine hundred ninety-eight students and other community members. The School District currently operates two instructional buildings.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Western Ohio Computer Organization, Mercer Auglaize Schools Employee Benefits Trust, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of New Bremen Local 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has two major governmental funds:

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Bond Retirement Fund

The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of the principal, interest, and related costs of the 1991 elementary addition and 1997 high school building general obligation bonds.

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

2. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

2. Fund Financial Statements

All governmental 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. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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 governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the treasurer.

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

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

F. Cash and Investments

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 was \$96,884, which includes \$9,026 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for textbooks, as well as unexpended revenues restricted for bus purchases.

I. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. The School District does not have any infrastructure. Improvements are capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 40 years
Building and Building Improvements	20 - 100 years
Improvements Other Than Buildings	25 - 30 years
Furniture, Fixtures, and Equipment	6 - 100 years
Vehicles	10 - 15 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through 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 employees' 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 employees that are eligible to retire within the next five years.

The entire compensated absences liability is reported on the government-wide financial statements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, textbooks, bus purchases, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Interfund Transactions

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

P. 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.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principles

For fiscal year 2002, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)**

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. For fiscal year 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$500 to \$5,000.

B. Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

The restatement from governmental fund balance to net assets of governmental activities is as follows:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance, June 30, 2001	\$2,488,287	\$236,218	\$154,924	\$2,879,429
GASB Statement No. 34 Adjustment:				
Changes in Fund Structure	25,074	0	9,410	34,484
GASB Statement No. 6 Adjustment:				
Compensated Absences Payable	9,341	0	0	9,341
Adjusted Fund Balance	<u>\$2,522,702</u>	<u>\$236,218</u>	<u>\$164,334</u>	2,923,254
GASB Statement No. 34 Adjustments:				
Intergovernmental Receivable				22,221
Property Tax Receivable				10,642
Capital Assets				14,649,007
Intergovernmental Payable				(49,265)
Accrued Interest Payable				(35,620)
General Obligation Bonds Payable				(8,909,232)
Compensated Absences Payable				(500,479)
Governmental Activities Net Assets At June 30, 2001				<u>\$8,110,528</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

The restatement of the business-type activity:

	Business-Type Activity
Fund Equity June 30, 2001	\$187,746
GASB Statement No. 34 Adjustment:	
Change in Fund Structure	(187,746)
Adjusted Net Assets at June 30, 2001	\$0

The restatement of the private purpose trust fund:

	Private Purpose Trust
Fund Balance June 30, 2001	\$11,049
GASB Statement No. 34 Adjustment:	
Accrued Interest Receivable	55
Adjusted Net Assets at June 30, 2001	\$11,104

4. ACCOUNTABILITY

At June 30, 2002, the Title VI-B and Title I special revenue funds had deficit fund balances of \$1,876 and \$938, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance
GAAP Basis	(\$390,026)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	81,464
Accrued FY 2002, Not Yet Received in Cash	(107,536)
Expenditure Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(785,476)
Accrued FY 2002, Not Yet Paid in Cash	793,326
Prepaid Items	48,347
Materials and Supplies Inventory	10,934
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(1,501)
Budget Basis	(\$350,468)

6. DEPOSITS AND INVESTMENTS

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee 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 \$190 in undeposited cash on hand which is included on the balance sheet/statement of net assets of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$356,167 and the bank balance was \$489,019. Of the bank balance, \$100,000 was covered by federal depository insurance and \$389,019 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$3,049,145.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,394,602	\$10,900
Cash on Hand	(190)	0
Certificates of Deposit	10,900	(10,900)
STAR Ohio	(3,049,145)	3,049,145
GASB Statement No. 3	\$356,167	\$3,049,145

7. RECEIVABLES

Receivables at June 30, 2002, consisted of accounts (billings for user charged services and student fees), intergovernmental, and property taxes. All receivables are considered collectible within one year and in full.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$7,940
Other Governmental Funds	
District Managed	4,195
Summer Intervention	2,952
American Disabilities Act	58,140
Vocational Equipment	1,031
Total Other Governmental Funds	66,318
Total Intergovernmental Receivables	\$74,258

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, 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 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. 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 County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. 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 and is reflected as revenue at fiscal year end. The receivable is 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, 2002, was \$96,043 in the General Fund, \$30,901 in the Bond Retirement debt service fund, and \$3,630 in the Replacement capital projects fund. The amount available as an advance at June 30, 2001, was \$74,725 in the General Fund, \$27,157 in the Bond Retirement debt service fund, and \$3,194 in the Replacement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue is deferred.

The assessed values upon which the fiscal year 2002 taxes were collected are:

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. PROPERTY TAXES (Continued)

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$65,869,510	67.24%	\$68,075,470	70.83%
Public Utility	3,528,520	3.61	2,128,920	2.21
Tangible Personal	28,556,980	29.15	25,909,276	26.96
Total Assessed Value	<u>\$97,955,010</u>	<u>100.00%</u>	<u>\$96,113,666</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$54.16		\$54.16	

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Restated Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$875,092	\$0	\$0	\$875,092
Construction in Progress	0	78,691	0	78,691
Total Nondepreciable Capital Assets	<u>875,092</u>	<u>78,691</u>	<u>0</u>	<u>953,783</u>
Depreciable Capital Assets				
Land Improvements	\$602,799	\$10,951	\$0	\$613,750
Buildings and Building Improvements	12,736,334	66,114	0	12,802,448
Improvements Other Than Buildings	729,720	0	0	729,720
Furniture, Fixtures, and Equipment	948,197	8,585	(6,000)	950,782
Vehicles	391,734	59,869	(27,612)	423,991
Total Depreciable Capital Assets	<u>15,408,784</u>	<u>145,519</u>	<u>(33,612)</u>	<u>15,520,691</u>
Total Capital Assets at Historical Cost	<u>16,283,876</u>	<u>224,210</u>	<u>(33,612)</u>	<u>16,474,474</u>
Less Accumulated Depreciation				
Land Improvements	(46,158)	(23,746)	0	(69,904)
Buildings and Building Improvements	(1,144,109)	(171,749)	0	(1,315,858)
Improvements Other Than Buildings	(63,875)	(29,129)	0	(93,004)
Furniture, Fixtures, and Equipment	(166,885)	(48,344)	3,300	(211,929)
Vehicles	(213,842)	(28,952)	27,612	(215,182)
Total Accumulated Depreciation	<u>(1,634,869)</u>	<u>(301,920)</u>	<u>30,912</u>	<u>(1,905,877)</u>
Depreciable Capital Assets, Net	<u>13,773,915</u>	<u>(156,401)</u>	<u>(2,700)</u>	<u>13,614,814</u>
Governmental Activities Capital Assets, Net	<u>\$14,649,007</u>	<u>(\$77,710)</u>	<u>(\$2,700)</u>	<u>\$14,568,597</u>

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$101,127
Special	6,656
Vocational	12,821
Support Services:	
Pupils	13,876
Instructional Staff	15,963
Board of Education	3,257
Administration	12,319
Fiscal	6,513
Operation and Maintenance of Plant	5,365
Pupil Transportation	\$30,585
Noninstructional Services	11,813
Extracurricular Activities	81,625
Total Depreciation Expense	<u><u>\$301,920</u></u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Cincinnati Insurance Company	
Buildings and Contents - replacement cost	\$25,974,777
Boiler and Machinery (\$1,000 deductible)	10,000,000
Inland Marine	335,543
Crime	2,000
Nationwide Agribusiness Insurance	
Automobile Liability	2,000,000
Great American Alliance Insurance	
General School District Liability	
Per Occurrence	1,000,000
Total per Year	5,000,000

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. RISK MANAGEMENT (Continued)

For fiscal year 2002, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the Plan.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, 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; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$306,201, \$291,346, and \$172,011, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$53,694, is recorded as a liability.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. 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, 2002, 2001, and 2000 were \$35,553, \$24,390, and \$26,843, respectively; 44 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$19,810, is recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement 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 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$145,043.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$69,097 for fiscal year 2002.

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 for the fiscal year ended June 30, 2001 (the latest information available), was \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

The School District provides employee medical and dental insurance through the Mercer Auglaize Schools Employee Benefit Trust. The School District provides life insurance to most employees through CoreSource Insurance Agency.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
1991 Elementary Addition 6.55%	\$650,000	\$0	\$50,000	\$600,000	\$50,000
1997 High School Building					
Serial Bonds 3.70 - 5.00%	3,200,000	0	300,000	2,900,000	310,000
Term Bonds 5.50%	4,250,000	0	0	4,250,000	0
Capital Appreciation Bonds 7.70 - 7.75%	583,864	0	0	583,864	0
Face Value of General Obligation Bonds	8,683,864	0	350,000	8,333,864	360,000
Capital Appreciation Bonds Premium	225,368	63,781	0	289,149	0
Total General Obligation Bonds	8,909,232	63,781	350,000	8,623,013	360,000
Compensated Absences Payable	500,479	89,556	90,326	499,709	53,232
Total Governmental Activities Long-Term Liabilities	<u>\$9,409,711</u>	<u>\$153,337</u>	<u>\$440,326</u>	<u>\$9,122,722</u>	<u>\$413,232</u>

Elementary Addition General Obligation Bonds - On December 1, 1991, the School District issued \$1,100,000 in voted general obligation bonds for constructing, improving, and equipping the elementary school building. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2013. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 1.98 mill voted property tax levy.

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

The term 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>
2012	\$550,000
2013	580,000
2014	610,000
2015	645,000
2016	680,000
2017	715,000

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

The 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 accrued interest to the date fixed for redemption.

Redemption dates (Dates Inclusive)	Redemption Prices
December 1, 2007 through November 30, 2008	101%
December 1, 2008 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2009, 2010, and 2011. The maturity amount for the bonds is \$1,650,000. For fiscal year 2002, \$63,781 was accreted for a total bond value of \$873,013.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$558,086 with an unvoted debt margin of \$96,114 at June 30, 2002.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial			Term
	Principal	Interest	Principal	Interest
2003	\$360,000	\$168,598	\$0	\$233,750
2004	400,000	150,297	0	233,750
2005	430,000	130,233	0	233,750
2006	465,000	108,465	0	233,750
2007	495,000	84,757	0	233,750
2008-2012	1,250,000	124,195	0	1,168,750
2013-2017	100,000	6,550	3,065,000	765,188
2018-2019	0	0	1,185,000	58,437
Totals	\$3,500,000	\$773,095	\$4,250,000	\$3,161,125

Fiscal Year Ending	General Obligation Bonds Capital Appreciation	
	Principal	Interest
2003	\$0	\$0
2004	0	0
2005	0	0
2006	0	0
2007	0	0
2008-2012	583,864	1,066,136
2013-2017	0	0
2018-2019	0	0
Totals	\$583,864	\$1,066,136

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. SETSIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2002.

	Textbooks	Capital Improvements
Balance June 30, 2001	\$36,218	(\$7,382,619)
Current Year Set Aside Requirement	118,145	118,145
Qualifying Expenditures	(110,145)	(16,666)
Balance June 30, 2002	\$44,218	(\$7,281,140)
Amount Carried Forward to Fiscal Year 2003	\$44,218	\$0

Accumulated set-aside requirements from bond or note proceeds in the capital improvements set aside may be carried forward to offset future years' requirements. The total reserve balance for the set asides at the end of the fiscal year was \$44,218.

16. INTERFUND TRANSFERS

During fiscal year 2002, the General Fund made transfers to other governmental funds, in the amount of \$134,168; \$20,000 to the Lunchroom special revenue fund and to the Replacement, American Disabilities Act, and Vocational Equipment capital projects funds, in the amount of \$7,268, \$96,900, and \$10,000, respectively; to subsidize the activities of those funds.

17. JOINTLY GOVERNED ORGANIZATIONS

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

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

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2002, the School District paid \$700 to the SERRC for various services. Financial information can be from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2002, the School District paid \$53,330 to WOCO for various services. Financial information can be obtained from Larry Wilberding, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

18. INSURANCE POOLS

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

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

Ohio School Board Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as 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 Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**NEW BREMEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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



STATE OF OHIO
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, Ohio 45869

To the Board of Education:

We have audited the financial statements of New Bremen Local School District (the School District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002, wherein we noted the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and changed the capital asset capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School 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 School District in a separate letter dated December 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered School 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 13, 2002.

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 audit committee, management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NEW BREMEN LOCAL SCHOOLDISTRICT

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
FEBRUARY 4, 2003**