

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY  
REGULAR AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Bradford Exempted Village School District  
Miami County  
760 Railroad Avenue  
Bradford, Ohio 45308

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 Bradford Exempted Village School District, Miami County, (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bradford Exempted Village School District, Miami County, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 9, 2005

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

This discussion and analysis of the Bradford Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of the School District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2005 are as follows:

Net assets of governmental activities decreased 4% or \$89,049 from prior year.

The School District's general receipts are primarily property and income taxes and intergovernmental revenues. Property and income taxes represent 27 percent of receipts. Grants and entitlements not restricted to specific programs represent another 53 percent of receipts.

Of the School District's \$6,076,803 in cash disbursements, only \$1,183,505 or 19 percent of the disbursements were offset by program revenues.

**Using the Basic Financial Statements**

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

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's only major governmental fund is the General Fund.

**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 of these funds are not available to support the School District's programs.



**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004 on a modified cash basis:

(Table 1)

**Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents and Cash with Fiscal Agents	\$1,997,128	\$2,086,177
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$358,914	\$260,520
Debt Service	103,247	90,932
Kindergarten	9,228	9,088
Set-Asides	26,228	40,782
School Bus Purchases	18,026	13,762
Other Purposes	180,544	188,526
Unrestricted	1,300,941	1,482,567
Total Net Assets	\$1,997,128	\$2,086,177

As mentioned previously, net assets of governmental activities decreased \$89,049 during fiscal year 2005. Unrestricted net assets decreased as a result of general operating expenditures exceeding revenues by \$185,606. Also contributing to the decrease in unrestricted net assets was a transfer from the General Fund to the Permanent Improvement Capital Projects Fund for \$100,000.

Table 2 reflects the changes in net assets for fiscal year 2005. Since the School District did not prepare financial statements in this format for fiscal year 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

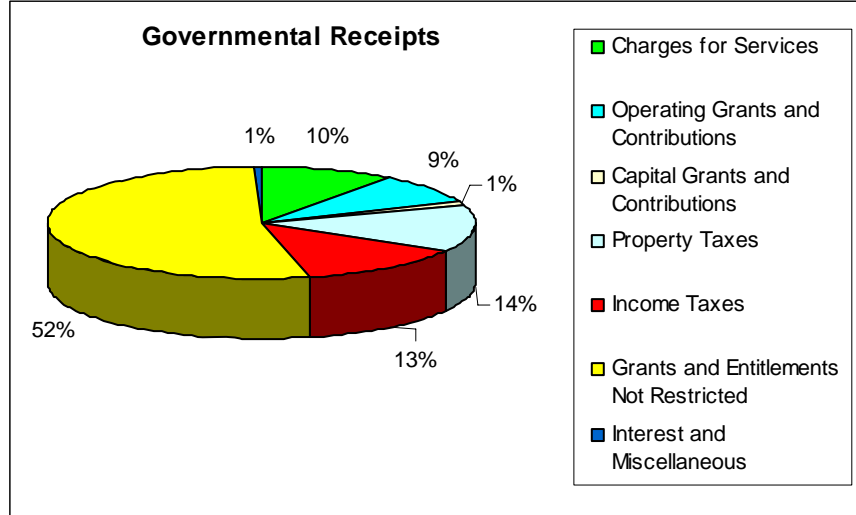
	<b>Governmental Activities 2005</b>
<b>Receipts:</b>	
Program Receipts:	
Charges for Services	\$618,727
Operating Grants and Contributions	511,294
Capital Grants and Contributions	53,484
Total Program Receipts	1,183,505
<b>General Receipts:</b>	
Property and Other Local Taxes	819,660
Income Taxes	776,400
Grants and Entitlements Not Restricted to Specific Programs	3,167,154
Interest and Miscellaneous	41,035
Total General Receipts	4,804,249
Total Receipts	5,987,754
 <b>Disbursements:</b>	
Instruction	3,044,816
Support Services:	
Pupils and Instructional Staff	580,234
Board of Education, Administration, Fiscal and Bu	722,187
Operation and Maintenance of Plant	622,902
Pupil Transportation	435,705
Central	122,653
Operation of Non-Instructional Services	234,613
Extracurricular Activities	191,507
Capital Outlay	486
Debt Service	121,700
Total Disbursements	6,076,803
 Decrease in Net Assets	 (89,049)
 Net Assets, July 1, 2004	 2,086,177
Net Assets, June 30, 2005	\$1,997,128

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

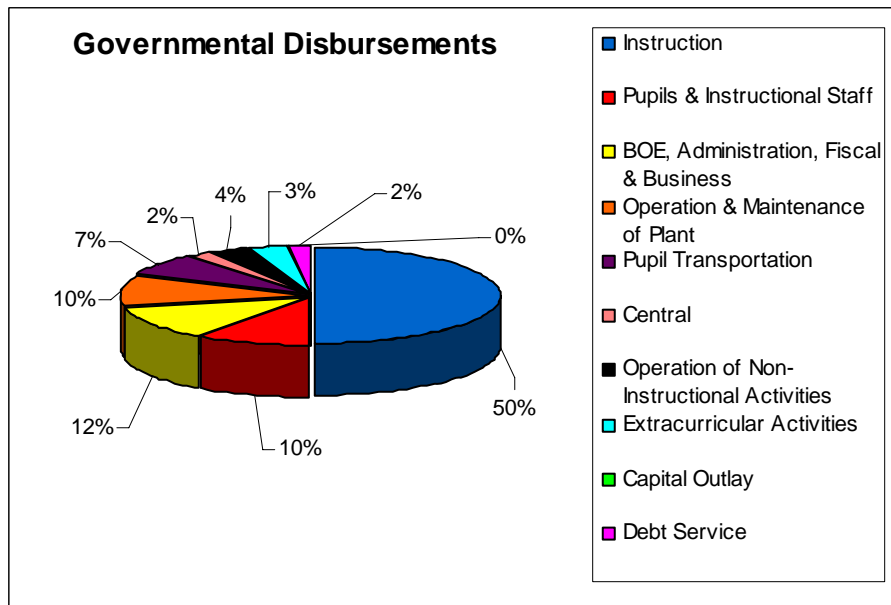
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 14% of receipts while income taxes add an additional 13% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies.



Instruction comprises 50% of the School District's disbursements. Support services make up 41% of disbursements.



**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
Instruction	\$3,044,816	\$2,412,528
Support Services:		
Pupils and Instructional Staff	580,234	428,783
Board of Education, Administration, Fiscal and Business	722,187	721,145
Operation and Maintenance of Plant	622,902	616,030
Pupil Transportation	435,705	312,642
Central	122,653	115,988
Operation of Non-Instructional Services	234,613	25,040
Extracurricular Activities	191,507	141,447
Capital Outlay	486	(2,005)
Debt Service	121,700	121,700
Total Expenses	<u>\$6,076,803</u>	<u>\$4,893,298</u>

The dependence upon state foundation and property and income tax receipts is apparent as over 81 percent of governmental activities are supported through these general receipts.

**The School District's Funds**

Total governmental funds had receipts of \$5,964,575 and disbursements of \$6,074,074. The fund balance of the General Fund decreased \$174,338. Increased receipts of approximately \$200,000 were offset by increases in disbursements of approximately \$300,000 with over half of these increases for instructional disbursements. The School District also transferred \$100,000 from the General Fund to the Permanent Improvement Capital Projects Fund.

The fund balance of other governmental funds increased \$85,289 as a result of transfers from the General Fund to the Permanent Improvement Capital Projects Fund and the Preschool Fund.

**General Fund Budgeting Highlights**

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

During fiscal year 2005, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to anticipated increases in property taxes and income taxes. However, actual receipts fell short of final estimated revenues by \$65,513.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

Final disbursements were budgeted at \$5,469,711 while actual disbursements were \$5,286,267. The School District monitored spending closely in order to try and minimize the decrease in fund balance. The result is the decrease in fund balance of \$298,932 for fiscal year 2005, rather than the original anticipated decrease of \$1,213,688.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District does not currently report its capital assets and infrastructure.

**Debt**

At June 30, 2005, the School District had one school improvement general obligation bond outstanding in the amount \$1,244,897. For more information regarding the School District's debt see Note 12 to the basic financial statements.

**Current Issues**

The challenge for all School Districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and state funding. The School District monitors potential changes in funding.

HB 66 legislation will result in the School District's valuation decreasing due to the phase out of taxes on tangible personal property. The tax is phased out by reducing the assessment rate on the property each year. In the first five years, school districts according to the House Bill are to be fully reimbursed for the lost revenue. However, in the following seven years, the reimbursement will be phased out.

The School District prepares a five year forecast to monitor future revenue and expenditures. According to the five year forecast prepared on June 1, 2005, the School District is projecting a general fund deficit beginning in 2007 of \$39,907. No new, replacement or renewal levies are proposed in the five year forecast. The School District will continue to monitor its financial position in order to prepare for the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Priscilla Dodson, Treasurer at 760 Railroad Road, Bradford, OH 45308.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,989,162
Cash and Cash Equivalents with Fiscal Agents	7,966
Total Assets	<u>\$1,997,128</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$358,914
Debt Service	103,247
Kindergarten Classroom:	
Expendable	228
Non-Expendable	9,000
Set-Asides	26,228
School Bus Purchases	18,026
Other Purposes	180,544
Unrestricted	<u>1,300,941</u>
Total Net Assets	<u>\$1,997,128</u>

*See accompanying notes to the basic financial statements.*

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$2,510,262	\$240,945	\$147,919		(\$2,121,398)
Special	534,554	92,624	150,800		(291,130)
Support Services:					
Pupil	232,997		91,996		(141,001)
Instructional Staff	347,237	10,016	49,439		(287,782)
Board of Education	40,864				(40,864)
Administration	502,410		1,042		(501,368)
Fiscal	176,515				(176,515)
Business	2,398				(2,398)
Operation and Maintenance of Plant	622,902	5,489	1,383		(616,030)
Pupil Transportation	435,705	72,070		50,993	(312,642)
Central	122,653		6,665		(115,988)
Operation of Non-Instructional Services	234,613	153,972	55,601		(25,040)
Extracurricular Activities	191,507	43,611	6,449		(141,447)
Capital Outlay	486			2,491	2,005
Principal Retirement	50,000				(50,000)
Interest and Fiscal Charges	71,700				(71,700)
<b>Total Governmental Activities</b>	<b>\$6,076,803</b>	<b>\$618,727</b>	<b>\$511,294</b>	<b>\$53,484</b>	<b>(4,893,298)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	684,072
Debt Service	119,934
Capital Outlay	15,654
Income Taxes Levied for General Purposes	776,400
Grants and Entitlements not Restricted to Specific Programs	3,167,154
Interest	24,236
Miscellaneous	16,799

*Total General Receipts*

4,804,249

Change in Net Assets

(89,049)

*Net Assets Beginning of Year - See Note 18*

2,086,177

*Net Assets End of Year*

\$1,997,128

See accompanying notes to the basic financial statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,300,941	\$643,967	\$1,944,908
Cash and Cash Equivalents with Fiscal Agent		7,966	7,966
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	44,254		44,254
Total Assets	<u>\$1,345,195</u>	<u>\$651,933</u>	<u>\$1,997,128</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	\$124,592	\$172,096	\$296,688
Reserved for Textbooks	26,228		26,228
Reserved for Contributions		9,000	9,000
Reserved for School Bus Purchases	18,026		18,026
Unreserved, Undesignated Reported in:			
General Fund	1,176,349		1,176,349
Special Revenue Funds		172,190	172,190
Debt Service Fund		103,247	103,247
Capital Projects Funds		195,172	195,172
Permanent Funds		228	228
Total Fund Balances	<u>\$1,345,195</u>	<u>\$651,933</u>	<u>\$1,997,128</u>

*See accompanying notes to the basic financial statements.*



**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts</b>			
Property Taxes	\$684,072	\$135,588	\$819,660
Income Tax	776,400		776,400
Intergovernmental	3,199,597	477,524	3,677,121
Interest	24,096	2,916	27,012
Tuition and Fees	216,041	22,158	238,199
Contributions and Donations	3,098	48,937	52,035
Rentals	362		362
Extracurricular Activities		61,397	61,397
Charges for Services	158,417	153,972	312,389
<i>Total Receipts</i>	<u>5,062,083</u>	<u>902,492</u>	<u>5,964,575</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	2,320,962	186,571	2,507,533
Special	389,987	144,567	534,554
Support Services:			
Pupil	139,267	93,730	232,997
Instructional Staff	284,450	62,787	347,237
Board of Education	40,864		40,864
Administration	500,065	2,345	502,410
Fiscal	173,882	2,633	176,515
Business	2,398		2,398
Operation and Maintenance of Plant	614,435	8,467	622,902
Pupil Transportation	435,705		435,705
Central	114,898	7,755	122,653
Operation of Non-Instructional Services		234,613	234,613
Extracurricular Activities	144,760	46,747	191,507
Capital Outlay		486	486
Debt Service:			
Principal Retirement		50,000	50,000
Interest and Fiscal Charges		71,700	71,700
<i>Total Disbursements</i>	<u>5,161,673</u>	<u>912,401</u>	<u>6,074,074</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(99,590)</u>	<u>(9,909)</u>	<u>(109,499)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In		106,052	106,052
Proceeds from Sale of Fixed Assets	2,084		2,084
Refund of Prior Year Expenditures	20,992	103	21,095
Advance In	32,579	24,351	56,930
Transfers Out	(106,052)		(106,052)
Advance Out	(24,351)	(32,579)	(56,930)
Refund of Prior Year Receipts		(2,729)	(2,729)
<i>Total Other Financing Sources (Uses)</i>	<u>(74,748)</u>	<u>95,198</u>	<u>20,450</u>
<i>Net Change in Fund Balances</i>	<u>(174,338)</u>	<u>85,289</u>	<u>(89,049)</u>
<i>Fund Balances Beginning of Year - Restated (Note 18)</i>	<u>1,519,533</u>	<u>566,644</u>	<u>2,086,177</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,345,195</u></u>	<u><u>\$651,933</u></u>	<u><u>\$1,997,128</u></u>

See accompanying notes to the basic financial statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Property Taxes	\$686,267	\$722,122	\$684,072	(\$38,050)
Income Tax	747,135	776,400	776,400	
Intergovernmental	3,091,670	3,200,680	3,199,597	(1,083)
Interest	35,000	30,000	24,096	(5,904)
Tuition and Fees	241,325	227,174	216,041	(11,133)
Contributions and Donations	10,000	3,100	3,098	(2)
Rentals	1,500	700	362	(338)
Charges for Services	185,000	167,420	158,417	(9,003)
<i>Total Receipts</i>	<u>4,997,897</u>	<u>5,127,596</u>	<u>5,062,083</u>	<u>(65,513)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,571,232	2,473,278	2,403,273	70,005
Special	444,467	409,587	389,987	19,600
Support Services:				
Pupil	240,794	147,198	140,306	6,892
Instructional Staff	294,619	290,545	287,422	3,123
Board of Education	58,158	54,744	49,141	5,603
Administration	610,180	506,333	502,941	3,392
Fiscal	231,256	180,413	176,417	3,996
Business	5,325	3,325	2,398	927
Operation and Maintenance of Plant	929,819	664,877	623,908	40,969
Pupil Transportation	512,687	469,058	449,543	19,515
Central	146,341	120,765	114,898	5,867
Extracurricular Activities	166,522	149,588	146,033	3,555
<i>Total Disbursements</i>	<u>6,211,400</u>	<u>5,469,711</u>	<u>5,286,267</u>	<u>183,444</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,213,503)</u>	<u>(342,115)</u>	<u>(224,184)</u>	<u>117,931</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	30,000	30,000	20,992	(9,008)
Refund of Prior Year Receipts	(71,874)			
Proceeds from Sale of Fixed Assets		2,100	2,084	(16)
Advances In	50,000	50,000	32,579	(17,421)
Advances Out	(37,579)	(25,000)	(24,351)	649
Transfers In	35,000	35,000		(35,000)
Transfers Out	(5,732)	(106,100)	(106,052)	48
<i>Total Other Financing Sources (Uses)</i>	<u>(185)</u>	<u>(14,000)</u>	<u>(74,748)</u>	<u>(60,748)</u>
<i>Net Change in Fund Balance</i>	<u>(1,213,688)</u>	<u>(356,115)</u>	<u>(298,932)</u>	<u>57,183</u>
<i>Fund Balance Beginning of Year</i>	1,337,091	1,337,091	1,337,091	
Prior Year Encumbrances Appropriated	182,442	182,442	182,442	
<i>Fund Balance End of Year</i>	<u>\$305,845</u>	<u>\$1,163,418</u>	<u>\$1,220,601</u>	<u>\$57,183</u>

See accompanying notes to the basic financial statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$46,464	\$37,710
<b>Liabilities</b>		
Due to Students		\$37,710
<b>Net Assets</b>		
Held in Trust for Scholarships		
Expendable	5,103	
Non-expendable	41,361	
Held in Trust for Scholarships	\$46,464	

*See accompanying notes to the basic financial statements.*

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$1,025
Gifts and Contributions	<u>5,500</u>
Total Additions	6,525
<b>Deductions</b>	
Scholarships	<u>6,490</u>
Change in Net Assets	35
Net Assets - Beginning of Year	<u>46,429</u>
Net Assets - End of Year	<u><u>\$46,464</u></u>

*See accompanying notes to the basic financial statements.*

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District serves an area of approximately 14,698 acres. It is located in Miami and Darke Counties along with a portion of Shelby County, and includes all of the Village of Bradford and portions of Newberry, Newton, Wayne, Adams, Franklin and Loramie Townships.

The Board of Education controls the School District's one instructional building and one garage staffed by 37 classified employees, 53 certificated full-time personnel who provide services to 651 students and other community members.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic 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 Bradford Exempted Village School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. There are no component units of the School District.

The School District participates in four jointly governed organizations, one related organization, and three insurance purchasing pools. These organizations are discussed in Note 13 to the financial statements. These organizations are:

**Jointly Governed Organizations:**

- Upper Valley Joint Vocational School District
- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

**Related Organization:**

- Bradford Public Library

**Insurance Purchasing Pools:**

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
- Southwestern Ohio Educational Purchasing Council Property, Fleet, and Liability Insurance Program

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Accounting**

The School District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred. The School District also reports long-term investments as assets, valued at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

**1. Governmental**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

**General Fund** - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Fiduciary Funds:** Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

**C. Basis of Presentation**

The School District's basic financial statements consist of a government-wide statement of activities, and fund financial statements providing more detailed financial information.

1. **Government-wide Financial Statement of Activities:** 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 the fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District does not have any business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

2. **Fund Financial Statements:** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**D. Cash, Cash Equivalents and Investments**

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the financial statements.

The School District values investments and cash equivalents at cost.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 was \$24,096, including \$7,705 assigned from other School District funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Restricted Assets**

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation is the source of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for textbooks and instructional materials, and unexpended revenues restricted for the purchase of school buses. Note 14 for additional information regarding set-asides.

**F. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**G. Capital Assets**

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

**H. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified-cash basis of accounting.

**I. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**J. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances, textbooks, contributions and bus purchases. The reserve for contributions signifies the legal restrictions on the use of principal.

**K. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.



**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**M. Budgetary Data**

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund, function level in the general fund (instruction, support services, extracurricular activities and other uses of funds) and the fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

**3. LEGAL COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances and disclosures that, while material, cannot be determined at this time.

The School District can be fined and various other administrative remedies may be taken against the School District.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**4. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami, Shelby and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second-Half Collections</u>		<u>2005 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$35,190,580	92.97%	\$36,339,070	93.63%
Public Utility – Personal	1,455,440	3.85%	1,393,560	3.59%
Tangible Personal Property	1,204,800	3.18%	1,078,480	2.78%
Total Assessed Value	<u>\$37,850,820</u>	<u>100.00%</u>	<u>\$38,811,110</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.87		\$29.87	

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**5. INCOME TAXES**

The School District levies a voted tax of 1.75 percent for general obligations on the income of residents and of estates. The 1.00 percent tax was effective January 1, 1982, while the 0.75 percent tax was effective on January 1, 1992, and both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding an amount for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**6. DEPOSITS AND INVESTMENTS**

**A. Investment Policies**

The School District follows the investment guidelines established by State statutes which require the classification of the 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 monies are public deposits that 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

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 from the purchase date in an amount not to exceed twenty-five 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

At June 30, 2005, the School District maintained \$7,966 reported in other governmental funds with the Darke County Educational Service Center. Since the monies are commingled, they cannot be classified by risk individually. The classification for the Darke County Educational Service Center as a whole can be obtained by writing to Emiko Augsburg, who serves as Treasurer, at 5279 Education Drive, Greenville, Ohio 45331-9761.

**B. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year-end, the carrying amount of the School District's deposits was \$289,834 and the bank balance was \$505,008. Of the bank balance, \$280,170 was covered by federal depository insurance and \$224,838 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**C. Investments**

At June 30, 2005, the School District had the following investments.

Investments	Maturities	Cost
Star Ohio	34.98 days	\$976,574
CMA Money Fund	65 days	11,898
FHLMC Medium Term Notes	12/22/05	298,163
FHLB Fixed Rate Bonds	6/30/06	246,867
FHLB Step Rate Bonds	6/16/08	250,000
		\$1,783,502

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk** - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District's investment in STAR Ohio is rated AAAM by Standard & Poor's. The School District's investment in FHLB bonds and the FHLMC notes are rated AAA by Standard & Poor's. The School District's investment in the CMA Money Fund is not rated.

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the following:

<u>Investments</u>	<u>Percent</u>
Star Ohio	55%
FHLMC Medium Term Notes	17%
FHLB Fixed Rate Bonds	14%
FHLB Step Rate Bonds	14%

**7. INTERFUND ADVANCES**

At June 30, 2005, the General Fund had outstanding advances of \$9,351 to the Title V, Drug Free Grant, and Miscellaneous Federal Grants Special Revenue Funds of \$3,765, \$3,334 and \$2,252, respectively. The advances were made to eliminate cash deficits at fiscal year-end. When grant dollars are received, the advances will be paid back.

**8. INTERFUND TRANSFERS**

The School District transferred \$100,000 from the General Fund to the Permanent Improvement Capital Projects fund to provide for future capital improvements. The School District also transferred \$6,052 from the General fund to the Preschool Special Revenue fund to subsidize the program.

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District joined together with other School Districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program, an insurance purchasing pool (See Note 13).

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**9. RISK MANAGEMENT (Continued)**

Coverage is as follows:

Property (\$1,000 deductible, subject to scheduled limits)	\$300,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists	1,000,000
General Liability (per occurrence/aggregate)	1,000,000/3,000,000
Employee Benefits Liability (per occurrence/aggregate)	1,000,000/3,000,000
Employers' Liability – Stop gap coverage	1,000,000
Umbrella Coverage	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from previous year.

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP 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 GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$102,300, \$92,422 and \$68,712 respectively; 52 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$304,150, \$291,083, and \$297,863 respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

**11. POST-EMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$23,396 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.



**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**11. POST-EMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$46,755 to fund health care benefits, including the surcharge.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest available information), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**12. DEBT OUTSTANDING**

The changes in the School District's debt obligations during fiscal year 2005 were as follows:

		<b>Principal Outstanding 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/05</b>	<b>Amounts Due in One Year</b>
School Improvement Bond						
Issue 2001	4.30% - 5.25%	\$1,294,897	\$0	\$50,000	\$1,244,897	\$55,000

**School Improvement General Obligation Bonds** – The School District issued bonds in the amount of \$1,466,912 during fiscal year 2000. Of these bonds, \$530,000 are serial bonds, with maturity dates of December 1, 2000, to December 1, 2009, and \$925,000 are term bonds, with a maturity date of December 1, 2021. \$11,912 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2010, and 2011. The maturity amount is \$70,000 and \$65,000, respectively. Accretion of the capital appreciation bonds was \$7,385 in fiscal year 2005.

The School District's overall legal debt margin was \$2,351,351 and the unvoted debt margin was \$38,811 at June 30, 2005.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2005, are as follows:

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**12. DEBT OUTSTANDING (Continued)**

<b>School Improvement General Obligation Bonds</b>						
<b>Fiscal Year Ending June 30,</b>	<b>Serial Bonds</b>		<b>Capital Appreciation Bonds</b>		<b>Term Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$55,000	\$70,475	\$0	\$0	\$0	\$0
2007	55,000	67,725	0	0	0	0
2008	60,000	64,920	0	0	0	0
2009	65,000	60,240	0	0	0	0
2010	65,000	56,744	0	0	0	0
2011-2015	0	0	135,000	0	225,000	145,626
2016-2020	0	0	0	0	475,000	140,569
2021-2022	0	0	0	0	225,000	13,537
<b>Total</b>	<b>\$300,000</b>	<b>\$320,104</b>	<b>\$135,000</b>	<b>\$0</b>	<b>\$925,000</b>	<b>\$299,732</b>

**13. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Upper Valley Joint Vocation School District** – The Upper Valley Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating District's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following School Districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts: Piqua, Sidney, Troy and Shelby County Educational Service Center. During fiscal year 2005, the School District did not contribute any money to the Upper Valley Joint Vocational School District. To obtain financial information write to the Upper Valley Joint Vocational School, William Stump, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

**Metropolitan Dayton Educational Cooperative Association** - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of Public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts with the exception of the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. During fiscal year 2005, the School District paid \$33,925 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Dr Suite 1C, Dayton, Ohio 45405.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**13. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOLS (Continued)**

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 123 School Districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the School District paid \$39,214 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2005, the School District paid \$3,714 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

**B. Related Organization**

**Bradford Public Library** – The Bradford Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Bradford School Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Bradford Public Library, Janice Sarver, Clerk/Treasurer, at 138 East Main, Bradford, Ohio 45308.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**13. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION, AND INSURANCE PURCHASING POOLS (Continued)**

**C. Insurance Purchasing Pools**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member School Districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program** – The School District participates in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (PFL). The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Insurance Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts.

**14. SET-ASIDE CALCULATIONS**

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	<u>Capital Improvements Reserve</u>	<u>Textbooks Instructional Materials Reserve</u>
Set-aside Reserve Balance as of June 30, 2004	(\$1,229,555)	\$40,782
Current fiscal year set-aside requirements	91,294	91,294
Qualifying Disbursements	<u>(105,722)</u>	<u>(105,848)</u>
Cash Balance Carried forward to FY 2006	<u>(\$1,243,983)</u>	<u>\$26,228</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. The extra amount may be used to reduce the set-aside requirement of future years from bond or note proceeds or the proceeds from a permanent improvement levy.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**15. STATE SCHOOL FUNDING DECISION**

On December 11, 2003, 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.

**16. CONTRACTUAL COMMITMENTS**

At June 30, 2005, the School District had entered into contracts for the replacement of the gymnasium floor. The School District entered into a contract with Traditional Hardwood Floors in the amount of \$107,600 for the replacing of the gym floor. In addition, the School District had an outstanding contract with BBL Construction Services of \$33,641 for services relating to the replacing of the gymnasium floor. The School District encumbered \$5,000 for the sanding of the gym floor. Finally, the School District had encumbered \$17,500 at June 30, 2005, with Peck Shaffer and Williams for services relating to the gymnasium floor. These contracts will be paid from the Classroom Facilities Capital Project Fund.

**17. CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

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

**18. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2005, the School District changed its method of accounting for financial reporting from a basis of accounting formerly prescribed for school districts by the Auditor of State to a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred. The School District also reports long-term investments as assets, valued at cost.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

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

The financial statements now include government-wide financial statements presented on a modified cash basis and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in one column. The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the governmental fund balances for governmental funds at June 30, 2004.

During fiscal year 2005, the food service and preschool enterprise funds were reclassified to special revenue funds and are considered non-major funds. These changes reduced proprietary fund net assets from \$30,862 to \$0.

The Wade Kindergarten non-expendable trust fund was reclassified as a permanent fund and is recorded with the non-major funds. The Beard Endowment non-expendable trust fund was reclassified as a private purpose trust fund. The expendable trust funds were reclassified to private purpose trust funds.

The effect on the fund balance of governmental funds was as follows:

	<u>General</u>	<u>Non-major</u>	<u>Total</u>
Fund Balance Governmental Funds June 30, 2004	\$1,519,533	\$532,788	\$2,052,321
Fund Reclassifications	0	33,856	33,856
Adjusted Fund Balance Governmental Funds	<u>\$1,519,533</u>	<u>\$566,644</u>	<u>\$2,086,177</u>

**19. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, 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 Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the general fund.

<b>Net Change in Fund Balance</b>	
Modified Cash Basis	(\$174,338)
Adjustment for Encumbrances	<u>(124,594)</u>
Budget Basis	<u><u>(\$298,932)</u></u>

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

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

**20. DONOR RESTRICTED ENDOWMENTS**

The School District's permanent fund and private purpose trust funds include donor-restricted endowments. These assets are shown as net assets non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net assets expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment of the permanent improvement fund indicates that the interest should be used for the kindergarten classroom. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Bradford Exempted Village School District  
Miami County  
760 Railroad Avenue  
Bradford, Ohio 45308

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bradford Exempted Village School District, Miami County, (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 9, 2005, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated December 9, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the School District's management dated December 9, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Bradford Exempted Village School District  
Miami County  
Independent Accountants' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 9, 2005

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their annual financial report in accordance with generally accepted accounting principles.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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800-282-0370

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**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT  
MIAMI 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  
DECEMBER 30, 2005**