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AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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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 general-purpose financial statements of the Bradford Exempted Village School District, Miami County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bradford Exempted Village School District, Miami County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 10, 2003

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**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,402,878	\$268,881	\$67,439	\$795,358
Cash and Cash Equivalents with Fiscal Agents		3,270		
Cash and Cash Equivalents in Segregated Accounts				34,913
Receivables:				
Property Taxes	570,431	15,281	117,039	
Accounts Intergovernmental	6,269			10,200
Accrued Interest	5,327	15,832		
Due from Other Funds	1,594		3,270	
Income Tax	307,931			
Prepaid Items	4,525			
Inventory of Supplies and Materials				
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	50,753			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>2,349,708</u>	<u>306,534</u>	<u>184,478</u>	<u>840,471</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	20,529	5,697		265
Contracts Payable				230,673
Retainage Payable				58,880
Accrued Wages and Benefits Payable	300,195	29,158		
Intergovernmental Payable	95,333	5,429		
Due to Other Funds				
Due to Students				
Deferred Revenue	597,180	29,462	107,778	
Compensated Absences Payable	7,542			
General Obligation Bonds Payable				
Total Liabilities	<u>1,020,779</u>	<u>69,746</u>	<u>107,778</u>	<u>289,818</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	435,541	27,171		438,171
Reserved for Property Taxes	49,476	1,205	9,261	
Reserved for Textbooks and Instructional Materials	30,753			
Reserved for School Bus Purchases	20,000			
Reserved for Donations				
Unreserved, Undesignated	793,159	208,412	67,439	112,482
Total Fund Equity and Other Credits	<u>1,328,929</u>	<u>236,788</u>	<u>76,700</u>	<u>550,653</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,349,708</u>	<u>\$306,534</u>	<u>\$184,478</u>	<u>\$840,471</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$43,033	\$54,767			\$2,632,356
				3,270
				34,913
				702,751
190				16,659
6,229				27,388
				1,594
				3,270
				307,931
				4,525
405				405
4,063				4,063
				50,753
268,692		\$17,556,126		17,824,818
			\$76,700	76,700
			1,745,413	1,745,413
<u>322,612</u>	<u>54,767</u>	<u>17,556,126</u>	<u>1,822,113</u>	<u>23,436,809</u>
215	3,700			30,406
				230,673
				58,880
12,648				342,001
6,802			41,202	148,766
	3,270			3,270
	25,994			25,994
				734,420
26,869			396,014	430,425
			1,384,897	1,384,897
<u>46,534</u>	<u>32,964</u>		<u>1,822,113</u>	<u>3,389,732</u>
		17,556,126		17,556,126
46,761				46,761
229,317				229,317
	4,000			904,883
				59,942
				30,753
				20,000
	1,500			1,500
	16,303			1,197,795
<u>276,078</u>	<u>21,803</u>	<u>17,556,126</u>		<u>20,047,077</u>
<u>\$322,612</u>	<u>\$54,767</u>	<u>\$17,556,126</u>	<u>\$1,822,113</u>	<u>\$23,436,809</u>

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
Revenues:						
Property Taxes	\$615,300	\$14,789	\$113,074			\$743,163
Income Taxes	760,821					760,821
Intergovernmental	2,792,662	331,759	15,108	\$1,423,605		4,563,134
Interest	63,342			50,433	\$240	114,015
Tuition and Fees	78,243					78,243
Extracurricular Activities		76,693				76,693
Gifts and Donations	7,800	21,249			2,500	31,549
Miscellaneous	29,420					29,420
Total Revenues	4,347,588	444,490	128,182	1,474,038	2,740	6,397,038
Expenditures:						
Current:						
Instruction:						
Regular	1,793,827	145,596		16,956	5,000	1,961,379
Special	312,124	163,784				475,908
Support Services:						
Pupils	107,070	51,828				158,898
Instructional Staff	244,556	25,254				269,810
Board of Education	41,187					41,187
Administration	453,428	1,721				455,149
Fiscal	191,398	232	2,265			193,895
Business	2,424					2,424
Operation and Maintenance of Plant	408,263					408,263
Pupil Transportation	256,288	495				256,783
Central	95,138	3,114		8,277		106,529
Extracurricular Activities	127,200	36,021				163,221
Capital Outlay	4,194			4,123,640		4,127,834
Debt Service:						
Principal Retirement			45,000			45,000
Interest and Fiscal Charges	1,093		78,197			79,290
Total Expenditures	4,038,190	428,045	125,462	4,148,873	5,000	8,745,570
Excess of Revenues Over (Under) Expenditures	309,398	16,445	2,720	(2,674,835)	(2,260)	(2,348,532)
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	80,686					80,686
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	390,084	16,445	2,720	(2,674,835)	(2,260)	(2,267,846)
Fund Balances at Beginning of Year (Restated - Note 3)	938,845	220,343	73,980	3,225,488	14,240	4,472,896
Fund Balances at End of Year	\$1,328,929	\$236,788	\$76,700	\$550,653	\$11,980	\$2,205,050

See Accompanying Notes to the General Purpose Financial Statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$619,700	\$618,993	(\$707)
Income Taxes	775,000	772,704	(2,296)
Intergovernmental	2,787,933	2,792,662	4,729
Interest	74,000	73,738	(262)
Tuition and Fees	155,297	145,952	(9,345)
Extracurricular Activities			
Gifts and Donations	9,300	7,800	(1,500)
Miscellaneous	24,767	17,878	(6,889)
Total Revenues	<u>4,445,997</u>	<u>4,429,727</u>	<u>(16,270)</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,989,618	1,828,609	161,009
Special	344,247	332,954	11,293
Support Services:			
Pupils	150,351	109,644	40,707
Instructional Staff	252,170	245,738	6,432
Board of Education	46,704	41,830	4,874
Administration	509,168	460,902	48,266
Fiscal	217,236	197,063	20,173
Business	5,000	3,672	1,328
Operation and Maintenance of Plant	435,172	399,486	35,686
Pupil Transportation	527,796	479,915	47,881
Central	111,739	96,660	15,079
Extracurricular Activities	131,518	128,038	3,480
Capital Outlay	193,033	192,227	806
Debt Service:			
Principal Retirement	27,500	27,500	
Interest and Fiscal Charges	1,485	1,464	21
Total Expenditures	<u>4,942,737</u>	<u>4,545,702</u>	<u>397,035</u>
Excess of Revenues Over (Under) Expenditures	<u>(496,740)</u>	<u>(115,975)</u>	<u>380,765</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	81,000	80,686	(314)
Refund of Prior Year Expenditures	109,000	108,981	(19)
Refund of Prior Year Receipts	(10,000)	(8,095)	1,905
Advances In	20,000	20,000	
Advances Out	(10,000)	(10,000)	
Operating Transfers In	4,129		(4,129)
Total Other Financing Sources (Uses)	<u>194,129</u>	<u>191,572</u>	<u>(2,557)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(302,611)</u>	<u>75,597</u>	<u>378,208</u>
Fund Balances at Beginning of Year	774,695	774,695	
Prior Year Encumbrances Appropriated	161,710	161,710	
Fund Balances at End of Year	<u>\$633,794</u>	<u>\$1,012,002</u>	<u>\$378,208</u>

(Continued)

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)**

	Special Revenue Funds			Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$15,626	\$14,941	(\$685)	\$114,170	\$114,124	(\$46)
Income Taxes						
Intergovernmental	392,861	297,377	(95,484)	15,108	15,108	
Interest						
Tuition and Fees						
Extracurricular Activities	102,000	73,423	(28,577)			
Gifts and Donations	75,902	21,249	(54,653)			
Miscellaneous						
Total Revenues	586,389	406,990	(179,399)	129,278	129,232	(46)
Expenditures:						
Current:						
Instruction:						
Regular	238,318	144,715	93,603			
Special	220,210	155,709	64,501			
Support Services:						
Pupils	80,252	13,872	66,380			
Instructional Staff	66,012	19,690	46,322			
Board of Education						
Administration	1,800	1,717	83			
Fiscal	5,225	232	4,993	3,499	2,264	1,235
Business						
Operation and Maintenance of Plant	47,774	9,000	38,774			
Pupil Transportation	495	495				
Central	3,605	3,434	171			
Extracurricular Activities	51,502	42,236	9,266			
Capital Outlay						
Debt Service:						
Principal Retirement				45,000	45,000	
Interest and Fiscal Charges				78,198	78,198	
Total Expenditures	715,193	391,100	324,093	126,697	125,462	1,235
Excess of Revenues Over (Under) Expenditures	(128,804)	15,890	144,694	2,581	3,770	1,189
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets						
Refund of Prior Year Expenditures						
Refund of Prior Year Receipts	(12,767)	(12,767)				
Advances In						
Advances Out	(10,000)	(10,000)				
Operating Transfers In						
Total Other Financing Sources (Uses)	(22,767)	(22,767)				
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(151,571)	(6,877)	144,694	2,581	3,770	1,189
Fund Balances at Beginning of Year	230,309	230,309		63,669	63,669	
Prior Year Encumbrances Appropriated	10,907	10,907				
Fund Balances at End of Year	\$89,645	\$234,339	\$144,694	\$66,250	\$67,439	\$1,189

Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,038,140	\$1,423,605	(\$614,535)			
200,000	63,920	(136,080)	\$750	\$276	(\$474)
			2,500	2,500	
<u>2,238,140</u>	<u>1,487,525</u>	<u>(750,615)</u>	<u>3,250</u>	<u>2,776</u>	<u>(474)</u>
31,912	30,296	1,616	17,052	9,000	8,052
8,277	8,277				
5,330,345	5,302,450	27,895			
<u>5,370,534</u>	<u>5,341,023</u>	<u>29,511</u>	<u>17,052</u>	<u>9,000</u>	<u>8,052</u>
<u>(3,132,394)</u>	<u>(3,853,498)</u>	<u>(721,104)</u>	<u>(13,802)</u>	<u>(6,224)</u>	<u>7,578</u>
50,000		(50,000)			
<u>50,000</u>		<u>(50,000)</u>			
(3,082,394)	(3,853,498)	(771,104)	(13,802)	(6,224)	7,578
1,519,572	1,519,572		9,204	9,204	
2,493,970	2,493,970		5,000	5,000	
<u>\$931,148</u>	<u>\$160,044</u>	<u>(\$771,104)</u>	<u>\$402</u>	<u>\$7,980</u>	<u>\$7,578</u>

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY/FUND BALANCE
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$136,923		\$136,923
Interest		\$242	242
Tuition	26,777		26,777
Total Operating Revenues	<u>163,700</u>	<u>242</u>	<u>163,942</u>
Operating Expenses:			
Salaries	78,242		78,242
Fringe Benefits	39,476		39,476
Purchased Services	8,636		8,636
Materials and Supplies	3,818		3,818
Cost of Sales	94,906		94,906
Depreciation	10,558		10,558
Other	425		425
Total Operating Expenses	<u>236,061</u>		<u>236,061</u>
Operating Income (Loss)	<u>(72,361)</u>	<u>242</u>	<u>(72,119)</u>
Non-Operating Revenues:			
Interest	765		765
Gain on Sale of Fixed Assets	8,528		8,528
Federal and State Subsidies	50,242		50,242
Federal Donated Commodities	17,732		17,732
Capital Contributions	247,487		247,487
Total Non-Operating Revenues	<u>324,754</u>		<u>324,754</u>
Net Income	252,393	242	252,635
Retained Earnings/Fund Balance at Beginning of Year (Restated - Note 3)	<u>(23,076)</u>	<u>9,581</u>	<u>(13,495)</u>
Retained Earnings/Fund Balance at End of Year	<u>229,317</u>	<u>9,823</u>	<u>239,140</u>
Contributed Capital at Beginning of Year	22,284		22,284
Current Capital Contributions	<u>24,477</u>		<u>24,477</u>
Contributed Capital at End of Year	<u>46,761</u>		<u>46,761</u>
Total Fund Equity	<u>\$276,078</u>	<u>\$9,823</u>	<u>\$285,901</u>

See Accompanying Notes to the General Purpose Financial Statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise Funds</u>			<u>Nonexpendable Trust Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Sales	\$137,560	\$136,923	(\$637)			
Tuition	26,720	26,617	(\$103)			
Interest	875	869	(6)	\$700	\$275	(\$425)
Proceeds from Sale of Fixed Assets	12,855	12,855				
Federal and State Subsidies	50,000	44,013	(5,987)			
Total Revenues	<u>228,010</u>	<u>221,277</u>	<u>(6,733)</u>	<u>700</u>	<u>275</u>	<u>(425)</u>
Expenses:						
Salaries	79,448	76,641	2,807			
Fringe Benefits	42,527	39,390	3,137			
Purchased Services	13,676	8,674	5,002			
Materials and Supplies	97,819	83,323	14,496			
Capital Outlay	1,000	669	331	9,000		9,000
Other	1,200	425	775			
Total Expenses	<u>235,670</u>	<u>209,122</u>	<u>26,548</u>	<u>9,000</u>		<u>9,000</u>
Excess of Revenues Over (Under)						
Expenses	(7,660)	12,155	19,815	(8,300)	275	8,575
Operating Transfers In	20,000		(20,000)			
Advances In	15,000	10,000	(5,000)			
Advances Out	(15,000)	(10,000)	5,000			
Excess of Revenues Over (Under)						
Expenses, Transfers and Advances	12,340	12,155	(185)	(8,300)	275	8,575
Fund Equity at Beginning of Year	30,025	30,025		9,548	9,548	
Prior Year Encumbrances Appropriated	564	564				
Fund Equity at End of Year	<u>\$42,929</u>	<u>\$42,744</u>	<u>(\$185)</u>	<u>\$1,248</u>	<u>\$9,823</u>	<u>\$8,575</u>

See Accompanying Notes to the General Purpose Financial Statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$136,923		\$136,923
Cash Received from Other Operating Receipts	26,617		26,617
Cash Payments for Employee Services and Benefits	(116,031)		(116,031)
Cash Payments to Suppliers for Goods and Services	(92,345)		(92,345)
Other Operating Expenses	(456)		(456)
Net Cash Used In Operating Activities	(45,292)		(45,292)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies Received	44,013		44,013
Advances In	10,000		10,000
Advances Out	(10,000)		(10,000)
Net Cash Provided By Noncapital Financing Activities	44,013		44,013
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Sale of Fixed Assets	12,855		12,855
Cash Flows from Investing Activities:			
Interest	765	\$242	1,007
Net Increase in Cash and Cash Equivalents	12,341	242	12,583
Cash and Cash Equivalents Beginning of Year	30,692	9,581	40,273
Cash and Cash Equivalents End of Year	43,033	9,823	52,856
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$72,361)	\$242	(\$72,119)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	10,558		10,558
Donated Commodities Used	15,597		15,597
Nonexpendable Trust Interest		(242)	(242)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(190)		(190)
Decrease in Inventory of Supplies and Materials	74		74
Increase in Inventory Held for Resale	(819)		(819)
Increase in Accounts Payable	162		162
Decrease in Accrued Wages and Benefits Payable	(419)		(419)
Increase in Intergovernmental Payable	86		86
Increase in Compensated Absences Payable	2,020		2,020
Net Cash Used In Operating Activities	(\$45,292)	\$0	(\$45,292)

Non-Cash Transactions:

During fiscal year 2002, the food service enterprise fund received \$17,732 in donated commodities.
During fiscal year 2002, the food service enterprise fund received \$247,487 in fixed assets as part of grants from the State, and \$24,477 in fixed assets purchased by the general fund.

Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet

Cash and Cash Equivalents - All Fiduciary Funds	\$54,767
Cash and Cash Equivalents - Expendable Trust Fund	(11,980)
Cash and Cash Equivalents - Agency Fund	(32,964)
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$9,823

See Accompanying Notes to the General Purpose Financial Statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

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. It is staffed by 37 non-certificated employees, 48 certificated full-time teaching personnel and four administrative employees who provide services to 651 students and other community members. The School District currently operates one instructional building and one garage.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Bradford

The village government of Bradford is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional village services. Council acts as the taxing and budgeting authority for these village services.

Parent Teacher Association

The School District is not involved in the budgeting or management, is not responsible for any debt and has no influence over the organization.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District participates in with four jointly governed organizations, one related organization and three insurance purchasing pools. These organizations are discussed in Note 18 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

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
Ohio School Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than trust funds or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

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

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the enterprise funds or trust funds).

2. Proprietary Fund Type:

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

Enterprise Funds

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds.

Expendable trust funds are accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise funds or nonexpendable trust fund.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise funds or trust fund.

B. Measurement Focus and Basis of Accounting

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

All enterprise funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise and nonexpendable trust funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds and nonexpendable trust fund.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income tax, interest, tuition, grants, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Data

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Title II and preschool grants special revenue funds' grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the fund and function level in the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

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

2. Estimated Resources:

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

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, nine supplemental appropriations were legally enacted; however, these amendments were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts adopted during the current fiscal year, including all supplemental appropriations. Formal budgetary integration is employed by the Board of Education as a management control device during the year at the fund/function level for the General fund and at the fund level for all other funds, other than the agency fund, consistent with statutory provisions.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

The balance of the Eisenhower and preschool grants special revenue funds' activity administered by the fiscal agent is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

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

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2002 amounted to \$63,342 which includes \$38,859 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Interfund Receivables/Payables

Receivables and payables resulting from the transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

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

G. Inventory

Inventories of proprietary funds are stated at cost on a first-in, first-out basis. Inventories of proprietary funds consist of donated and purchased food held for resale, and non-food supplies and are expensed when used.

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside for the purchase of textbooks and other instructional materials. See Note 19 for additional information regarding set-asides.

I. Fixed Assets and Depreciation

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

J. Compensated Absences

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and the contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. General obligation bonds are recognized as a liability of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments represents principal in the nonexpendable trust fund that cannot be spent.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Estimates

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

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Total Columns on General Purpose Financial Statements

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

3. RESTATEMENTS OF FUND BALANCE

Restatements of beginning fund balances were necessary for the reclassification of funds. The uniform supplies fund was combined with the general fund, since the School District now records all of this activity in the general fund. The classroom facilities maintenance fund was reclassified from a capital projects fund to a special revenue fund. Restatements were also necessary to fixed assets in the enterprise fund.

The following table summarizes the changes to fund balance:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Fund Balance/Retained Earnings as previously reported	\$937,140	\$183,472	\$3,262,359	\$13,689
Reclassification of Uniform Supplies Fund	1,705	0	0	(1,705)
Reclassification of Classroom Facilities Maintenance Fund	0	36,871	(36,871)	0
Restatement of fixed assets	0	0	0	(35,060)
Fund Balance/Retained Earnings at June 30, 2001	<u>\$938,845</u>	<u>\$220,343</u>	<u>\$3,225,488</u>	<u>(\$23,076)</u>

General fixed assets were also restated \$79,171 from \$14,502,185 to \$14,423,014.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

4. ACCOUNTABILITY

The early childhood development enterprise fund had negative retained earnings at June 30, 2002, in the amount of \$15,582. The School District will continue to monitor the deficit in this fund, and possibly raise fees to eliminate the deficit.

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds and as note disclosure in the enterprise funds and nonexpendable trust fund (GAAP basis).
4. The School District does not budget for the activities of the Title II and preschool grants special revenue funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to Bradford Exempted Village School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).
5. Principal payments on short-term loans and notes are reported on the operating statement (budget basis), rather than as a balance sheet transaction (GAAP basis).
6. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
7. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$390,084	\$16,445	\$2,720	(\$2,674,835)	(\$2,260)
Revenue Accruals	184,491	9,202	1,050	0	0
Expenditure Accruals	(36,245)	12,807	0	(521,923)	0
Prepaid Items	(10,233)	0	0	0	0
Nonbudgeted Fund Activity	0	(910)	0	0	0
Unrecorded Cash	6,629	(1,553)	0	13,487	36
Loan Principal Payments	(27,500)	0	0	0	0
Advances	10,000	(10,000)	0	0	0
Encumbrances	(441,629)	(32,868)	0	(670,227)	(4,000)
Budget Basis	<u>\$75,597</u>	<u>(\$6,877)</u>	<u>\$3,770</u>	<u>(\$3,853,498)</u>	<u>(\$6,224)</u>

**Net Income/Excess of Revenues Over
Expenses, Transfers, and Advances
Enterprise Funds and Nonexpendable Trust Fund**

	Enterprise	Nonexpendable Trust
GAAP Basis	\$252,393	\$242
Revenue Accruals	(267,177)	33
Expense Accruals	18,090	0
Depreciation	10,558	0
Materials and Supplies Inventory	(74)	0
Inventory Held for Resale	819	0
Donated Commodities	(2,135)	0
Encumbrances	(319)	0
Budget Basis	<u>\$12,155</u>	<u>\$275</u>

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits 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.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 date of purchase 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, 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 obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of tax exempt notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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

Cash on Hand: At fiscal year-end, the School District had \$130 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

At June 30, 2002, the School District had "Cash and Cash Equivalents with Fiscal Agents" in the special revenue funds of \$3,270, which is maintained with the Darke County Educational Service Center. The Darke County Educational Service Center is the fiscal agent of several other school districts and therefore, cannot be classified by risk under GASB Statement No. 3. The classification of cash and cash equivalents for the Darke County Educational Service Center as a whole can be obtained by writing Carolyn Garver at the Darke County Educational Service Center, 5279 Education Drive, Greenville, Ohio 45331.

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$1,281,434 and the bank balance was \$1,629,206. Of the bank balance:

1. \$167,535 was covered by federal depository insurance; and
2. \$1,461,671 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The fair value of the STAR Ohio investment as of June 30, 2002, was \$1,436,458.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,721,292	\$0
Cash on Hand	(130)	0
Cash and Cash Equivalents with Fiscal Agent	(3,270)	0
Investment of the cash management pool:		0
STAR Ohio	(1,436,458)	1,436,458
GASB Statement No. 3	\$1,281,434	\$1,436,458

7. 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 located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

7. PROPERTY TAXES (Continued)

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$30,661,990	91%	\$32,644,320	93%
Public Utility	1,700,750	5	1,473,780	4
Tangible Personal Property	1,226,160	4	1,210,180	3
Total Assessed Value	<u>\$33,588,900</u>	<u>100%</u>	<u>\$35,328,280</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$35.10		\$34.99	

The School District receives property taxes from Shelby, Miami, 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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$59,942. \$49,476 was available to the general fund, \$1,205 was available to the classroom facilities maintenance special revenue fund, and \$9,261 was available to the bond retirement debt service fund.

8. INCOME TAX

The School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. The 1.00 percent tax was effective on 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 amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund during fiscal year 2002 was \$760,821.

9. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, accounts (tuition and student fees), grants, accrued interest, and amounts due from other funds. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

9. RECEIVABLES (Continued)

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Transportation Fees	\$5,327
Special Revenue Funds:	
Title II	446
Title VI Grant	2,271
Drug Free Grant	1,893
Title VI-R Grant	11,222
Total Special Revenue Funds	<u>15,832</u>
Enterprise Fund:	
Federal and State Subsidies	6,229
Total All Funds	<u><u>\$27,388</u></u>

10. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$305,381
Less Accumulated Depreciation	<u>(37,189)</u>
Net Fixed Assets	<u><u>\$268,692</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$494,566	\$1,694,035	\$30,982	\$2,157,619
Buildings and Improvements	1,180,086	12,758,306	308,262	13,630,130
Furniture, Fixtures and Equipment	1,253,894	465,896	251,467	1,468,323
Vehicles	341,493	8,040	49,479	300,054
Construction in Progress	11,152,975	0	11,152,975	0
Totals	<u><u>\$14,423,014</u></u>	<u><u>\$14,926,277</u></u>	<u><u>\$11,793,165</u></u>	<u><u>\$17,556,126</u></u>

11. 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 2002, the School District contracted with Ratermann Insurance for property and fleet insurance. Coverage provided by Ratermann Insurance is as follows:

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

11. RISK MANAGEMENT (Continued)

Building and Contents-replacement cost (\$5,000 deductible)	\$10,625,600
Builders Risk	12,000,000
Band Uniforms	15,000
Boiler and Machinery (\$1,000 deductible)	7,050,900
Food Spoilage	100,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
Medical Payments	5,000
Electronic Data Processing (\$100 deductible)	323,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 18).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Educational General Liability	
Bodily Injury and Property Damage	
Per Occurrence	\$1,000,000
Sexual Abuse Injury	
Per Occurrence	1,000,000
Personal and Advertising Injury	
Per Occurrence	1,000,000
Fire Damage	
Per Occurrence	500,000
Medical Expense	
Per Person	10,000
Per Occurrence	10,000
General Aggregate Limit	3,000,000
Products	
Completed Operations Limit	1,000,000
Employee Benefits Liability	
Employee Benefits Injury	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
Employers' Liability and Stop Gap Endorsement – State of Ohio	
Bodily Injury By Accident	
Per Occurrence	1,000,000
Bodily Injury By Disease	
Per Employee	1,000,000
Aggregate	1,000,000
Educational Legal Liability Coverage Form – (Claims Made)	
Errors and Omissions Injury Limit	1,000,000
Aggregate (\$2,500 deductible)	2,000,000
Employment Practices Injury Limit	1,000,000
Aggregate (\$2,500 deductible)	2,000,000
Defense Costs Cap	1,000,000
Defense Costs Aggregate Cap	1,000,000

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

11. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). 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 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). 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.

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

12. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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, 2002, 2001, and 2000 were \$43,856, \$20,259 and \$31,252, respectively; 50.93 percent was contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$21,519, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by State statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$179,587, \$185,932 and \$115,764, respectively; 82.26 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$31,855 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

C. Social Security System

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

13. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$85,067 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$77,722.

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

14. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for certificated teaching personnel. Administrators, the Treasurer, and 12 month classified employees may accumulate up to a maximum of 260 days unless their contract states differently. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 58 days for all employees unless stated otherwise in the employee's contract.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Kanawha Insurance Company. Medical and surgical benefits are provided by Anthem Blue Cross Blue Shield through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. The School District pays the premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (see Note 18).

15. FUND OBLIGATIONS

In 1994, the School District entered into an eight year \$220,000 energy conservation loan for the purpose of implementing energy conservation measures at various School District buildings. This loan is being repaid with tax revenue allocated from the general fund. This loan is backed by the full faith and credit of the School District.

In fiscal year 2002, the School District paid off the remaining balance of the 5.4 percent energy conservation loan in the amount of \$27,500.

16. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
School Improvement Bonds, 2000 4.30% – 5.25%	\$1,426,033	\$3,864	\$45,000	\$1,384,897
Intergovernmental	32,699	41,202	32,699	41,202
Compensated Absences	395,265	749	0	396,014
Total General Long-Term Obligations	\$1,853,997	\$45,815	\$77,699	\$1,822,113

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

16. LONG-TERM OBLIGATIONS (continued)

School Improvement General Obligation Bonds - The School District issued bonds in the amount of \$1,466,912 during fiscal year 2000. Of these bonds, \$1,455,000 are serial bonds, with maturity dates of December 1, 2000 to December 1, 2009 and 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 on the capital appreciation bonds was \$3,864 in fiscal year 2002.

The intergovernmental payable represents contractually required pension contributions paid outside the available period. The intergovernmental payable and compensated absences will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$1,871,348, the energy conservation debt margin was \$317,955 and the unvoted debt margin was \$35,328 at June 30, 2002.

Principal and interest requirements to retire the general long-term bonds at June 30, 2002, are as follows:

School Improvement General Obligation Bonds				
Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2003	\$40,000	\$77,185	\$0	\$0
2004	50,000	75,325	0	0
2005	50,000	72,925	0	0
2006	55,000	70,475	0	0
2007	55,000	67,725	0	0
2008-2012	190,000	418,363	135,000	0
2013-2017	400,000	230,563	0	0
2018-2022	525,000	96,688	0	0
Total	\$1,365,000	\$1,109,249	\$135,000	\$0

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and early childhood development. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the Bradford Exempted Village School District as of and for the fiscal year ended June 30, 2002.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Food Service	Early Childhood Development	Total Enterprise Funds
Operating Revenues	\$136,923	\$26,777	\$163,700
Depreciation Expense	10,558	0	10,558
Operating Income (Loss)	(72,779)	418	(72,361)
Federal and State Subsidies	50,242	0	50,242
Federal Donated Commodities	17,732	0	17,732
Interest	765	0	765
Gain on Sale of Fixed Assets	8,528	0	8,528
Capital Contributions	247,487	0	247,487
Net Income	251,975	418	252,393
Current Contributed Capital	24,477	0	24,477
Fixed Asset Deletions	37,157	0	37,157
Net Working Capital (Deficit)	35,165	(910)	34,255
Long-Term Compensated Absences	12,197	14,672	26,869
Total Assets	321,061	1,551	322,612
Total Equity (Deficit)	293,660	(15,582)	276,078
Encumbrances Outstanding at June 30, 2002	311	8	319

18. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

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 within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. 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 except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$24,529 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council 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.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

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

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 during this one year period. Payments to SOEPC are made from the general fund. During fiscal year 2002, the School District paid \$5,976 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, 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 in the State-assigned SOITA service area. 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 the 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 2002, the School District paid \$4,167 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Upper Valley Joint Vocational 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 school districts' 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, Shelby, Sidney, and Troy. The School District had no financial transactions with the Upper Valley Joint Vocational School during fiscal year 2001. 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.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

18. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS

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 District 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 South Main, Bradford, Ohio 45308.

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). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each 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 year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

Ohio School Plan – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

19. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative change this is the only money still required to be set-aside for this purpose, unless it is spent for specified purposes.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2001	\$13,605	(\$1,364,167)	\$30,009
Current Year Set-aside Requirement	70,319	70,319	0
Current Year Offsets	0	(14,941)	0
Qualifying Disbursements	(53,171)	(56,949)	(30,009)
Totals	<u>\$30,753</u>	<u>(\$1,365,738)</u>	<u>0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$30,753</u>	<u>(\$1,308,789)</u>	<u>\$0</u>
Set-aside Reserve Balances as of June 30, 2002	<u>\$30,753</u>	<u>\$0</u>	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisition set-asides below zero. The extra amount of offsets may be used to reduce the set-aside requirements in future fiscal years.

20. INTERFUND ACTIVITY

At June 30, 2002, the district managed activity special revenue fund had due from other funds and the student managed activity agency fund had due to other funds of \$3,270.

21. CONTINGENCIES

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

22. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 6/30/02
Brumbaugh Construction	New Building	\$141,478	\$29,380	\$112,098
Peck, Shaffer and Williams	New Building	21,000	5,147	15,853
David Williams and Associates	New Building	64,686	58,993	5,693
Regal Plumbing and Heating	New Building	91,661	62,587	29,074
Steed, Hammond and Paul Architects	New Building	21,466	2,170	19,296
Cardinal Environmental Services	Asbestos Removal	299,185	249,658	49,527
Global Computer Supplies	Computer Purchase	50,535	0	50,535
ASI Signs Systems	New Building	16,869	0	16,869
Danis Construction	New Building	77,195	39,095	38,100
Cardinal Bus Sales	School Bus Purchase	112,922	0	112,922
Steve Rauch	Demolition of Old Building	278,000	101,000	177,000
Totals		<u>\$1,174,997</u>	<u>\$548,030</u>	<u>\$626,967</u>

23. SUBSEQUENT EVENT

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

24. MATERIAL NONCOMPLIANCE

A. Period of Availability

34 CFR sections 76.703, 76.704, and 76.707 states that LEAs must obligate Title I funds during the 27 months, extending from July 1 through September 30 of the second following fiscal year. This maximum period includes a 15 month period of availability plus a 12 month period for carryover. **34 CFR 80.23 (a) and (b)** states that where a funding period is specified, a grantee may charge to the award costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligation of the subsequent funding period.

The District did not obtain an approved carryover; therefore, the availability period would end September 30, 2001 per the grant application. The District expended \$29,160.12 in Title I funds for the FY01 Project Period after the period of availability ended.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

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

24. MATERIAL NONCOMPLIANCE (Continued)

B. Federal Questioned Costs

34 CFR 80.36 and 34 CFR 74.40 through .48 contains the requirements for procurement for expenditures of federal funds

The Goals 2000 Program has questioned costs for the period July 1, 2000 through September 30, 2001 in the amount of \$13,364.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	not available	10.550		\$15,440		\$15,276
National School Lunch Program	LL-P4 2001	10.555	\$6,676		\$6,676	
	LL-P4 2002		35,427		35,427	
Total National School Lunch Program			<u>42,103</u>		<u>42,103</u>	
Total Nutrition Cluster			42,103	15,440	42,103	15,276
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Grants to Local Educational Agencies (ESEA Title 1)	C1-S1 2001	84.010	30,545		56,815	
	C1-S1-2002		160,267		99,832	
			<u>190,812</u>		<u>156,647</u>	
(Passed through Darke County Educational Service Center)						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-2001	84.027	11,316		11,316	
	6B-SF-2002		41,944		38,674	
Total Special Education Grants to States (IDEA Part B)			<u>53,260</u>		<u>49,990</u>	
(Passed through Ohio Department of Education)						
Special Education - Preschool Grant	not available	84.173	570		619	
	not available		2,633		2,633	
Total Special Education - Preschool Grant			<u>3,203</u>		<u>3,252</u>	
Total Special Education Cluster			<u>56,463</u>		<u>53,242</u>	
Drug-Free Schools Grant	DR-S1 2000	84.186	-		779	
	DR-S1 2001		922		1,114	
	DR-S1 2002		534		-	
Total Drug-Free Schools Grant			<u>1,456</u>		<u>1,893</u>	
Eisenhower Professional Development Grant	MS-S1 2002	84.281	4,013		4,013	
	MS-S1 2001				2,312	
	MS-S1 2000				24	
Total Eisenhower Professional Development Grant			<u>4,013</u>		<u>6,349</u>	
Innovative Education Program Strategies	C2-S1 2000	84.298			45	
	C2-S1 2001				661	
	C2-S1 2002		928			
Total innovative Education Program Strategies			<u>928</u>		<u>706</u>	
GOALS 2000	G2-S2 2000	84.276			14,000	
Class Size Reduction	CR-S1 2000	84.340	(13,292)		4,721	
	CR-S1 2001		13,281		17,658	
	CR-S1 2002		15,496		6,046	
Total Class Size Reduction			<u>15,485</u>		<u>28,425</u>	
Assistive Technology Infusion Project	ATS1-2002	84.352A	2,578		2,578	
Total Federal Assistance			<u>\$313,838</u>	<u>\$15,440</u>	<u>\$305,943</u>	<u>\$15,276</u>

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

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 Bradford Exempted Village School District, Miami County, (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2003.

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

January 10, 2003



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Bradford Exempted Village School District, Miami County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Bradford Exempted Village School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bradford Exempted Village School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2002-10355-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the period of availability of funds that are applicable to its Title I program. Additionally, as described in item 2002-10355-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs that are applicable to its Goals 2000 program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to their major federal programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

January 10, 2003

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title 1, Education Consolidation Improvement Act, CFDA # 84.010 Goals 2000, CFDA # 84.276
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Federal Program Noncompliance – Period of Availability

Finding Number	2002-10355-001
CFDA Title and Number	Title 1, Education Consolidation Improvement Act CFDA# 84.010
Federal Award Number / Year	045229-C1-S1-2001
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR sections 76.703, 76.704, and 76.707 states that LEAs must obligate Title I funds during the 27 months, extending from July 1 through September 30 of the second following fiscal year. This maximum period includes a 15 month period of availability plus a 12 month period for carryover. **34 CFR 80.23(a)** states that “where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligation of the subsequent funding period.”

The District did not obtain an approved carryover agreement from the Ohio Department of Education; therefore, per the original grant application the availability period would end September 30, 2001. The District expended \$29,160 in Title I funds for the fiscal year 2001 Project Period, during fiscal 2002 after the period of availability ended.

The District should develop and implement procedures to monitor federal programs and improve compliance with federal requirements to expend program funds in the available period.

2. Federal Question Costs

Finding Number	2002-10355-002
CFDA Title and Number	Goals 2000 CFDA# 84.276
Federal Award Number / Year	045229-G2-S2-2000
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.36 and 34 CFR 74.40 through .48 contain requirements for procurement for expenditure of federal funds. The FY 2001 Goals 2000 grant agreement with the Ohio Department of Education specified the program funds were to be used for development and purchase of curriculum, software to support curriculum, a 9th grade math consultant, a 9th grade writing consultant, consent and time for professional development, and communication and support for at risk students.

The Bradford Exempted Village School District (the District) applied for and received a \$14,000 Goals 2000 grant for the 2001 fiscal year. Our testing of the Goals 2000 program determined that the Darke County Educational Service Center (ESC) submitted an invoice to the District on September 21, 2001, in the amount of \$14,000. The invoice did not contain any detail as to the nature of the services provided to the District and in fact the ESC did not provide any allowable program services during the period. The District paid the invoice from their Goals 2000 fund by issuing a check for \$14,000 to the ESC on September 28, 2001. In addition, during the grant period the District billed the ESC for the return of \$636 for allowable expenditures incurred at the District for the Goals 2000 program, which was remitted to the District.

The above mentioned transactions of the District's Goals 2000 Program for the period July 1, 2000 through September 30, 2001 resulted in questioned costs of \$13,364.

The District should review each Goals 2000 invoice to determine that they represent goods and services provided in accordance with the grant agreement. In instances where the invoice does not contain a description, a detailed explanation should be obtained before the District expends program resources.

**BRADFORD EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-10355-001	The Treasurer will review remaining balances of the grant and ensure that a carryover is applied for if needed to expend all funds available.	June 30, 2003	Priscilla Dodson, Treasurer
2002-10355-002	The Treasurer requested the return of the Goals 2000 monies from the Darke County Educational Service Center and has contacted the Ohio Department of Education to schedule the return of the unexpended Goals 2000 monies.	January 24, 2003	Priscilla Dodson, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
FEBRUARY 27, 2003**