

***BROOKVILLE LOCAL SCHOOL DISTRICT***

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**BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
June 30,2004**

*Prepared by:*

**Ms. Bobbie Russell  
Treasurer**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Brookville Local School District

We have reviewed the Independent Auditor's Report of the Brookville Local School District, Montgomery County, prepared by Plattenburg & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 12, 2005

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**BROOKVILLE LOCAL SCHOOL DISTRICT**

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***BROOKVILLE LOCAL SCHOOL DISTRICT***

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February 4, 2005

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education:

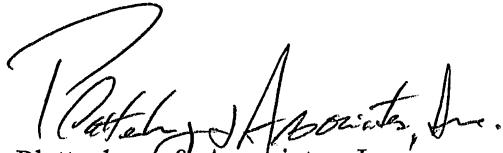
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Brookville Local School District, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005 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 Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Plattenburg & Associates, Inc.  
Certified Public Accountants



# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004***

***Unaudited***

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The discussion and analysis of Brookville Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for 2004 are as follows:**

- ❑ In total, net assets increased \$656,683. Net assets of governmental activities increased \$727,730, which represents an 8.9% increase from 2003. Net assets of business-type activities decreased \$71,047 or 27.7% from 2003.
- ❑ General revenues accounted for \$12,605,614 in revenue or 88.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,644,111 or 11.5% of total revenues of \$14,249,725.
- ❑ The District had \$13,006,589 in expenses related to governmental activities; only \$1,128,705 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,605,614 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$10,902,854 in revenues and \$10,567,606 in expenditures. The general fund's fund balance increased \$248,929 to \$3,526,972. The increase resulted from a combination of factors including increases in property taxes and state grants received. The fund balance of the bond retirement fund decreased \$23,195,879, from a beginning balance of \$24,146,620 to an ending balance of \$950,741. The decrease was due to a large transfer out to the building fund for debt retirement. The fund balance of the building fund increased by \$17,138,449 as a result of the receipt of the transfer from the bond retirement to start construction of a new school building.
- ❑ Net assets for the enterprise fund decreased by \$71,047. This decrease was attributable to an increase in fringe benefit expenses and purchases for supplies.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the District's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004***

***Unaudited***

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The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District are divided into two categories:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service is reported as business-type activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2004 compared to 2003.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Current and other assets	\$31,826,354	\$59,099,401	\$226,164	\$284,247	\$32,052,518	\$59,383,648
Capital assets, Net	9,649,405	3,589,336	25,176	25,213	9,674,581	3,614,549
<b>Total assets</b>	<b>41,475,759</b>	<b>62,688,737</b>	<b>251,340</b>	<b>309,460</b>	<b>41,727,099</b>	<b>62,998,197</b>
Long-term debt outstanding	24,143,470	24,142,896	9,976	10,812	24,153,446	24,153,708
Other liabilities	8,464,706	30,405,988	56,012	42,249	8,520,718	30,448,237
<b>Total liabilities</b>	<b>32,608,176</b>	<b>54,548,884</b>	<b>65,988</b>	<b>53,061</b>	<b>32,674,164</b>	<b>54,601,945</b>
Net assets						
Invested in capital assets, net of related debt	3,314,426	3,589,336	25,176	25,213	3,339,602	3,614,549
Restricted	2,455,726	1,701,914	0	0	2,455,726	1,701,914
Unrestricted	3,097,431	2,848,603	160,176	231,186	3,257,607	3,079,789
<b>Total net assets</b>	<b>\$8,867,583</b>	<b>\$8,139,853</b>	<b>\$185,352</b>	<b>\$256,399</b>	<b>\$9,052,935</b>	<b>\$8,396,252</b>

## BROOKVILLE LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004*

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Program revenues:						
Charges for Services and Sales	\$634,700	\$694,912	\$361,700	\$337,593	\$996,400	\$1,032,505
Operating Grants and Contributions	494,005	512,662	153,706	123,436	647,711	636,098
General revenues:					0	0
Property Taxes	6,309,728	5,533,468	0	0	6,309,728	5,533,468
Grants and Entitlements	5,731,465	5,396,054	0	0	5,731,465	5,396,054
Other	564,421	579,541	0	0	564,421	579,541
<b>Total revenues</b>	<u>13,734,319</u>	<u>12,716,637</u>	<u>515,406</u>	<u>461,029</u>	<u>14,249,725</u>	<u>13,177,666</u>
<b>Program Expenses</b>						
Instruction	6,597,915	6,723,669	0	0	6,597,915	6,723,669
Support Services:						
Pupils	788,335	763,864	0	0	788,335	763,864
Instructional Staff	741,763	742,433	0	0	741,763	742,433
Board of Education	19,443	19,746	0	0	19,443	19,746
Administration	1,272,812	1,251,391	0	0	1,272,812	1,251,391
Fiscal Services	281,709	274,381	0	0	281,709	274,381
Operation and Maintenance of Plant	929,728	941,858	0	0	929,728	941,858
Pupil Transportation	692,697	667,817	0	0	692,697	667,817
Central	25,631	29,531	0	0	25,631	29,531
Community Services	77,475	70,692	0	0	77,475	70,692
Extracurricular Activities	423,300	406,804	0	0	423,300	406,804
Debt Service:						
Interest and Fiscal Charges	1,155,781	326,212	0	0	1,155,781	326,212
Food Service	0	0	586,453	484,969	586,453	484,969
<b>Total expenses</b>	<u>13,006,589</u>	<u>12,218,398</u>	<u>586,453</u>	<u>484,969</u>	<u>13,593,042</u>	<u>12,703,367</u>
<b>Total Change in Net Assets</b>	<u>727,730</u>	<u>498,239</u>	<u>(71,047)</u>	<u>(23,940)</u>	<u>656,683</u>	<u>474,299</u>
Beginning Net Assets	8,139,853	7,641,614	256,399	280,339	8,396,252	7,921,953
<b>Ending Net Assets</b>	<u><u>\$8,867,583</u></u>	<u><u>\$8,139,853</u></u>	<u><u>\$185,352</u></u>	<u><u>\$256,399</u></u>	<u><u>\$9,052,935</u></u>	<u><u>\$8,396,252</u></u>

### Governmental Activities

Net assets of the District's governmental activities increased by \$727,730. This was due to a combination of factors including a rise in grant revenues received from federal sources and also an increase in property taxes from equalization adjustments made in the third year following reappraisals.

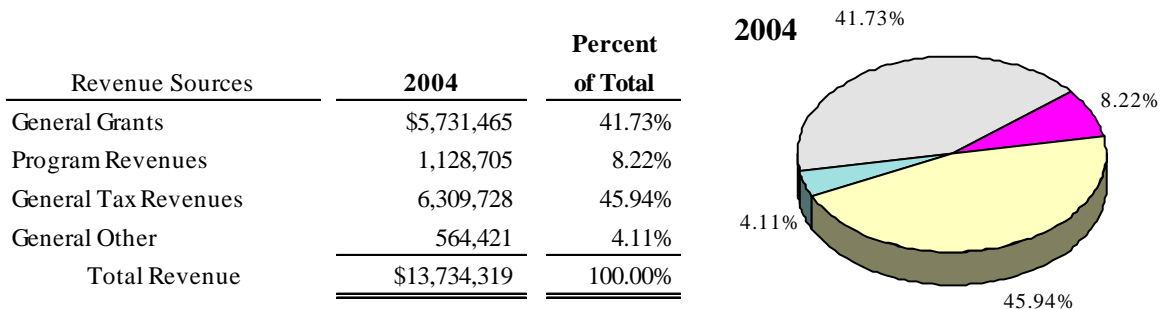
## **BROOKVILLE LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 45.9% of revenues for governmental activities for Brookville Local Schools in fiscal year 2004. The District's reliance upon tax revenues is demonstrated by the following graph:



### Business-Type Activities

Net assets of the business-type activities decreased by \$71,047. This was attributable to several factors, including an increase in amounts paid for hospitalization insurance, and amounts for food supplies.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$23,019,648, which is less than last year's balance of \$28,614,157. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	<b>Fund Balance June 30, 2004</b>	<b>Fund Balance/ (Deficit) June 30, 2003</b>	<b>Increase (Decrease)</b>
General	\$3,526,972	\$3,278,043	\$248,929
Bond Retirement	950,741	24,146,620	(23,195,879)
Building	16,549,611	(588,838)	17,138,449
Other Governmental	1,992,324	1,778,332	213,992
Total	\$23,019,648	\$28,614,157	(\$5,594,509)

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

*General Fund* – The District's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	<b>2004 Revenues</b>	<b>2003 Revenues</b>	<b>Increase (Decrease)</b>
Taxes	\$4,886,232	\$4,771,412	\$114,820
Tuition	93,441	95,707	(2,266)
Transportation Fees	104,185	40,330	63,855
Extracurricular Activities	89,343	81,785	7,558
Class Materials and Fees	31,665	48,548	(16,883)
Intermediate Sources	89,595	79,772	9,823
Intergovernmental - State	5,606,387	5,476,670	129,717
All Other Revenue	2,006	52,508	(50,502)
<b>Total</b>	<b>\$10,902,854</b>	<b>\$10,646,732</b>	<b>\$256,122</b>

General Fund revenues in 2004 increased approximately 2.4% compared to revenues in fiscal year 2003. The primary factors contributing to this increase were increases in property tax revenues and state grants received. The property tax increase was a result of the equalization adjustments made in the third year following reappraisals.

	<b>2004 Expenditures</b>	<b>2003 Expenditures</b>	<b>Increase (Decrease)</b>
Instruction	\$5,931,497	\$5,634,341	\$297,156
Supporting Services:			
Pupils	735,434	683,234	52,200
Instructional Staff	572,875	567,412	5,463
Board of Education	19,381	19,736	(355)
Administration	1,147,358	1,159,350	(11,992)
Fiscal Services	261,531	258,807	2,724
Operation & Maintenance of Plant	919,128	882,182	36,946
Pupil Transportation	735,054	599,091	135,963
Central	15,647	9,115	6,532
Extracurricular Activities	229,701	224,865	4,836
Capital Outlay	0	367	(367)
<b>Total</b>	<b>\$10,567,606</b>	<b>\$10,038,500</b>	<b>\$529,106</b>

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

The expenditures increased by \$529,106 or 5.27% compared to the prior year mostly due to increases in instructional services and transportation. A 3.25% increase in wages is accountable for the increase in instructional services. The increase within transportation occurred because the District purchased a new school bus.

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

During the course of fiscal year 2004 the District amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue was \$10.7 million, above original budget estimates of \$9.4 million. The General Fund had an adequate fund balance to cover expenditures.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### **Capital Assets**

At the end of fiscal year 2004 the District had \$9,674,581 net of accumulated depreciation invested in land, buildings, machinery, equipment and vehicles. Of this total, \$9,649,405 was related to governmental activities and \$25,176 to the business-type activities. The following table shows fiscal year 2003 and 2004 balances:

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2004</b>	<b>2003</b>	
Land	\$797,425	\$797,425	\$0
Construction in Progress	6,344,979	0	6,344,979
Land Improvements	558,459	558,459	0
Buildings and Improvements	4,377,136	4,377,136	0
Machinery and Equipment	4,680,288	4,589,093	91,195
Vehicles	927,369	858,575	68,794
Less: Accumulated Depreciation	(8,036,251)	(7,591,352)	(444,899)
<b>Totals</b>	<b>\$9,649,405</b>	<b>\$3,589,336</b>	<b>\$6,060,069</b>

	<b>Business-Type Activities</b>		<b>Increase (Decrease)</b>
	<b>2004</b>	<b>2003</b>	
Machinery and Equipment	\$214,154	\$204,262	\$9,892
Less: Accumulated Depreciation	(188,978)	(179,049)	(9,929)
<b>Totals</b>	<b>\$25,176</b>	<b>\$25,213</b>	<b>(\$37)</b>

The primary increase occurred in construction in progress, as the District began construction on a new school. Additional information on the District's capital assets can be found in Note 8.

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

**Unaudited**

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### Debt

At June 30, 2004, the District had \$23.4 million in bonds outstanding, \$250,823 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2004:

	<u>2004</u>	<u>2003</u>
<b>Governmental Activities:</b>		
General Obligation Notes:		
Building Construction	\$0	\$23,095,000
General Obligation Bonds:		
School Improvement	23,398,043	23,398,043
Compensated Absences	745,427	744,853
Total Governmental Activities	<u>24,143,470</u>	<u>47,237,896</u>
<b>Business-Type Activities:</b>		
Compensated Absences	9,976	10,812
<b>Totals</b>	<u><u>\$24,153,446</u></u>	<u><u>\$47,248,708</u></u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

### ECONOMIC FACTORS

The Brookville Local School District covers approximately 33 square miles and is located in Montgomery and Preble Counties. The District depends on taxes and the State Foundation for its funds. The State Foundation receipts account for 51% of the total and local taxes for 49% of the total.

The District's tax base is expected to benefit from its proximity to Dayton, and additional land for further development. Growth in the District's full value has been steady, averaging 5.6% over the last six years.

The District also has a Permanent Improvement Fund with a balance of over \$1,000,000 at this time. The fund's revenues come from the .8% Permanent Improvement Levy and General Fund investment earnings, which is placed in the Permanent Improvement Fund.

In November 2002 the community approved a \$23,095,000 bond issue. The voters approved millage of 9.43 mills with an amortization of 28 years. The bond issue was passed the first time it was placed on the ballot. The A2 rating from Moody's reflects the District's sound financial operations, stable tax base and manageable debt burden.

A new school building is being constructed within the District. The building will house grades 4-12 and is currently projected to be completed in May of 2005. The building is expected to be used by students at the start of the 2004-2005 school year.



## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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***Management's Discussion and Analysis  
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***Unaudited***

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There is a great deal of uncertainty involving the future of state funding. As a result of the DeRolph decision and subsequent court decisions the District is unable to determine what effect, if any, a future decision will have on its future state funding and its financial operations.

In conclusion, the Brookville Local School District is committed to continued conservative financial management in the years ahead.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Bobbie Russell, Treasurer of Brookville Local School District.

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## **BROOKVILLE LOCAL SCHOOL DISTRICT**

### ***Statement of Net Assets*** ***June 30, 2004***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 7,161,351	\$ 208,137	\$ 7,369,488
Investments	17,745,075	0	17,745,075
Receivables:			
Taxes	6,651,451	0	6,651,451
Accounts	36,334	539	36,873
Intergovernmental	20,840	11,859	32,699
Interest	92,281	0	92,281
Inventory of Supplies at Cost	33,559	5,224	38,783
Prepaid Items	85,463	405	85,868
Capital Assets, Net	9,649,405	25,176	9,674,581
<b>Total Assets</b>	<b>41,475,759</b>	<b>251,340</b>	<b>41,727,099</b>
<b>Liabilities:</b>			
Accounts Payable	1,074,106	0	1,074,106
Accrued Wages and Benefits	985,814	31,999	1,017,813
Intergovernmental Payable	336,633	24,013	360,646
Deferred Revenue - Taxes	6,044,425	0	6,044,425
Accrued Interest Payable	23,728	0	23,728
Long Term Liabilities:			
Due Within One Year	281,821	0	281,821
Due in More Than One Year	23,861,649	9,976	23,871,625
<b>Total Liabilities</b>	<b>32,608,176</b>	<b>65,988</b>	<b>32,674,164</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	3,314,426	25,176	3,339,602
Restricted For:			
Capital Projects	1,027,722	0	1,027,722
Debt Service	1,007,924	0	1,007,924
Other Purposes	420,080	0	735,208
Unrestricted (Deficit)	3,097,431	160,176	2,942,479
<b>Total Net Assets</b>	<b>\$ 8,867,583</b>	<b>\$ 185,352</b>	<b>\$ 9,052,935</b>

See accompanying notes to the basic financial statements

## BROOKVILLE LOCAL SCHOOL DISTRICT

### Statement of Activities For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 6,597,915	\$ 167,479	\$ 221,123
Support Services:			
Pupils	788,335	0	46,869
Instructional Staff	741,763	0	193,848
Board of Education	19,443	0	0
Administration	1,272,812	0	7,089
Fiscal Services	281,709	0	0
Operation and Maintenance of Plant	929,728	8,318	0
Pupil Transportation	692,697	104,185	10,659
Central	25,631	0	14,417
Community Services	77,475	0	0
Extracurricular Activities	423,300	354,718	0
Debt Service:			
Interest and Fiscal Charges	1,155,781	0	0
<b>Total Governmental Activities</b>	13,006,589	634,700	494,005
<b>Business-Type Activities:</b>			
Food Service	586,453	361,700	153,706
<b>Total Business-Type Activities</b>	586,453	361,700	153,706
<b>Totals</b>	\$ 13,593,042	\$ 996,400	\$ 647,711

#### General Revenues

Property Taxes Levied for:

    General Purposes

    Debt Service

    Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

**BROOKVILLE LOCAL SCHOOL DISTRICT**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,209,313)	\$ 0	\$ (6,209,313)
(741,466)	0	(741,466)
(547,915)	0	(547,915)
(19,443)	0	(19,443)
(1,265,723)	0	(1,265,723)
(281,709)	0	(281,709)
(921,410)	0	(921,410)
(577,853)	0	(577,853)
(11,214)	0	(11,214)
(77,475)	0	(77,475)
(68,582)	0	(68,582)
(1,155,781)	0	(1,155,781)
<u>(11,877,884)</u>	<u>0</u>	<u>(11,877,884)</u>
0	(71,047)	(71,047)
0	(71,047)	(71,047)
<u>(11,877,884)</u>	<u>(71,047)</u>	<u>(11,948,931)</u>
4,977,423	0	4,977,423
1,287,265	0	1,287,265
45,040	0	45,040
5,731,465	0	5,731,465
312,000	0	312,000
252,421	0	252,421
<u>12,605,614</u>	<u>0</u>	<u>12,605,614</u>
727,730	(71,047)	656,683
<u>8,139,853</u>	<u>256,399</u>	<u>8,396,252</u>
<u>\$ 8,867,583</u>	<u>\$ 185,352</u>	<u>\$ 9,052,935</u>

## BROOKVILLE LOCAL SCHOOL DISTRICT

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 4,430,340	\$ 901,448	\$ 870,303	\$ 959,260	\$ 7,161,351
Investments	0	0	16,651,434	1,093,641	17,745,075
Receivables:					
Taxes	5,290,298	1,315,377	0	45,776	6,651,451
Accounts	32,705	0	0	3,629	36,334
Intergovernmental	813	236	0	19,791	20,840
Interest	0	0	87,879	4,402	92,281
Interfund Loan Receivable	19,785	0	0	0	19,785
Inventory of Supplies at Cost	33,559	0	0	0	33,559
Prepaid Items	71,173	0	13,305	985	85,463
<b>Total Assets</b>	<b>\$ 9,878,673</b>	<b>\$ 2,217,061</b>	<b>\$ 17,622,921</b>	<b>\$ 2,127,484</b>	<b>\$ 31,846,139</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 41,399	\$ 0	\$ 1,024,689	\$ 8,018	\$ 1,074,106
Accrued Wages and Benefits	939,761	0	0	46,053	985,814
Intergovernmental Payable	221,357	0	0	11,659	233,016
Interfund Loans Payable	0	0	0	19,785	19,785
Deferred Revenue - Taxes	5,121,015	1,266,320	0	47,051	6,434,386
Deferred Revenue	0	0	48,621	2,594	51,215
Compensated Absences Payable	28,169	0	0	0	28,169
<b>Total Liabilities</b>	<b>6,351,701</b>	<b>1,266,320</b>	<b>1,073,310</b>	<b>135,160</b>	<b>8,826,491</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	162,195	767,690	15,900,948	131,064	16,961,897
Reserved for Prepaid Items	71,173	0	13,305	985	85,463
Reserved for Supplies Inventory	33,559	0	0	0	33,559
Reserved for Debt Service	0	133,994	0	0	133,994
Reserved for Property Taxes	169,283	49,057	0	1,275	219,615
Unreserved, Undesignated in:					
General Fund	3,090,762	0	0	0	3,090,762
Special Revenue Funds	0	0	0	443,003	443,003
Capital Projects Funds	0	0	635,358	1,415,997	2,051,355
<b>Total Fund Balances</b>	<b>3,526,972</b>	<b>950,741</b>	<b>16,549,611</b>	<b>1,992,324</b>	<b>23,019,648</b>
<b>Total Liabilities and Funds Balances</b>	<b>\$ 9,878,673</b>	<b>\$ 2,217,061</b>	<b>\$ 17,622,921</b>	<b>\$ 2,127,484</b>	<b>\$ 31,846,139</b>

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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### ***Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2004***

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**Total Governmental Fund Balances** \$ 23,019,648

***Amounts reported for governmental activities in the  
statement of net assets are different because***

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 9,649,405

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 441,176

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the funds.

General Obligation Bonds Payable (23,398,043)

Compensated Absences Payable (717,258)

Accrued Interest Payable (23,728)

Pension Obligation (103,617)

(24,242,646)

***Net Assets of Governmental Activities***

\$ 8,867,583

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

### **Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2004**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 4,886,232	\$ 1,206,354	\$ 0	\$ 42,507	\$ 6,135,093
Tuition	93,441	0	0	0	93,441
Transportation Fees	104,185	0	0	0	104,185
Investment Earnings	0	17,154	173,705	74,587	265,446
Extracurricular Activities	89,343	0	0	265,375	354,718
Class Materials and Fees	31,665	0	0	42,373	74,038
Intermediate Sources	89,595	0	0	500	90,095
Intergovernmental - State	5,606,387	147,361	0	65,885	5,819,633
Intergovernmental - Federal	0	0	0	405,837	405,837
All Other Revenue	2,006	0	10,000	109,011	121,017
<b>Total Revenue</b>	<b>10,902,854</b>	<b>1,370,869</b>	<b>183,705</b>	<b>1,006,075</b>	<b>13,463,503</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Instruction	5,931,497	0	0	256,475	6,187,972
<b>Supporting Services:</b>					
Pupils	735,434	0	0	46,566	782,000
Instructional Staff	572,875	0	0	212,654	785,529
Board of Education	19,381	0	0	0	19,381
Administration	1,147,358	0	0	99,658	1,247,016
Fiscal Services	261,531	13,483	0	2,660	277,674
Operation & Maintenance of Plant	919,128	0	36	0	919,164
Pupil Transportation	735,054	0	0	0	735,054
Central	15,647	0	0	17,952	33,599
Community Services	0	0	0	73,884	73,884
Extracurricular Activities	229,701	0	0	198,429	428,130
Capital Outlay	0	0	6,349,168	14,331	6,363,499
<b>Debt Service:</b>					
Interest & Fiscal Charges	0	1,231,277	18,040	0	1,249,317
<b>Total Expenditures</b>	<b>10,567,606</b>	<b>1,244,760</b>	<b>6,367,244</b>	<b>922,609</b>	<b>19,102,219</b>
Excess (Deficiency) of Revenues Over Expenditures	335,248	126,109	(6,183,539)	83,466	(5,638,716)
<b>Other Financing Sources (Uses):</b>					
Proceeds from the Sale of Fixed Assets	27	0	0	0	27
Transfers In	0	0	23,321,988	129,595	23,451,583
Transfers Out	(129,595)	(23,321,988)	0	0	(23,451,583)
Refund of P/Y Expenditures	53,483	0	0	931	54,414
<b>Total Other Financing Sources (Uses)</b>	<b>(76,085)</b>	<b>(23,321,988)</b>	<b>23,321,988</b>	<b>130,526</b>	<b>54,441</b>
Net Change in Fund Balance	259,163	(23,195,879)	17,138,449	213,992	(5,584,275)
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>3,278,043</b>	<b>24,146,620</b>	<b>(588,838)</b>	<b>1,778,332</b>	<b>28,614,157</b>
Decrease in Inventory Reserve	(10,234)	0	0	0	(10,234)
<b>Fund Balance End of Year</b>	<b>\$ 3,526,972</b>	<b>\$ 950,741</b>	<b>\$ 16,549,611</b>	<b>\$ 1,992,324</b>	<b>\$ 23,019,648</b>

See accompanying notes to the basic financial statements



## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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### ***Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2004***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (5,584,275)

***Amounts reported for governmental activities in the statement of activities are different because***

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

Capital Outlay	6,553,108	
Depreciation Expense	<u>(488,225)</u>	
		6,064,883

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(4,814)</u>	(4,814)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 221,189

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 93,536

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(20,508)	
Pension Obligation (Intergovernmental Payable)	(32,047)	
Change in Inventory	<u>(10,234)</u>	
		<u>(62,789)</u>

***Change in Net Assets of Governmental Activities*** **\$ 727,730**

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30,2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 4,245,830	\$ 4,853,399	\$ 4,983,779	\$ 130,380
Tuition	80,722	92,273	94,752	2,479
Transportation Fees	77,305	88,367	90,741	2,374
Extracurricular Activities	76,105	86,996	89,333	2,337
Class Material and Fees	27,138	31,022	31,855	833
Intermediate Sources	76,329	87,251	89,595	2,344
Intergovernmental - State	4,775,556	5,458,928	5,605,574	146,646
All Other Revenues	15,541	17,765	18,242	477
Total Revenues	9,374,526	10,716,001	11,003,871	287,870
<b>Expenditures:</b>				
Current:				
Instruction	5,930,869	5,965,271	5,965,271	0
Support Services:				
Pupils	725,998	730,209	730,209	0
Instructional Staff	583,068	586,450	586,452	(2)
Board of Education	21,067	21,189	21,189	0
Administration	1,178,796	1,185,634	1,185,633	1
Fiscal Services	278,770	280,387	280,388	(1)
Operation and Maintenance of Plant	942,910	948,380	948,379	1
Pupil Transportation	758,563	762,963	762,963	0
Central	16,393	16,488	16,488	0
Extracurricular Activities	238,837	240,222	240,222	0
Total Expenditures	10,675,271	10,737,193	10,737,194	(1)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,300,745)	(21,192)	266,677	287,869
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Fixed Assets	0	0	27	27
Transfers Out	(117,465)	(129,595)	(129,595)	0
Advances In	0	0	9,402	9,402
Advances Out	(4,701)	(19,785)	(19,785)	0
Refund of Prior Year's Expenditures	0	0	53,483	53,483
Total Other Financing Sources (Uses):	(122,166)	(149,380)	(86,468)	62,912
Net Change in Fund Balance	(1,422,911)	(170,572)	180,209	350,781
Fund Balance at Beginning of Year	3,854,276	3,854,276	3,854,276	0
Prior Year Encumbrances	199,847	199,847	199,847	0
Fund Balance at End of Year	\$ 2,631,212	\$ 3,883,551	\$ 4,234,332	\$ 350,781

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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***Statement of Net Assets  
Proprietary Funds  
June 30, 2004***

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	Business-Type Activities	
	<u>Enterprise Fund</u>	
	<u>Food Service</u>	
<b>Assets:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$	208,137
Receivables:		
Accounts		539
Intergovernmental		11,859
Inventory of Supplies at Cost		5,224
Prepaid Items		405
<i>Total Current Assets</i>		<u>226,164</u>
<i>Non Current Assets:</i>		
Capital Assets, Net		25,176
<b>Total Assets</b>		<u>251,340</u>
<b>Liabilities:</b>		
<i>Current Liabilities:</i>		
Accrued Wages and Benefits		31,999
Intergovernmental Payable		24,013
<i>Total Current Liabilities</i>		<u>56,012</u>
<i>Long Term Liabilities:</i>		
Compensated Absences Payable		9,976
<i>Total Long Term Liabilities</i>		<u>9,976</u>
<b>Total Liabilities</b>		<u>65,988</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt		25,176
Unrestricted		160,176
<b>Total Net Assets</b>	\$	<u>185,352</u>

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30,2004**

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	Business-Type Activities
	<u>Enterprise Fund</u>
	<u>Food Service</u>
<b>Operating Revenues:</b>	
Sales	\$ 354,501
<b>Total Operating Revenues</b>	<u>354,501</u>
<b>Operating Expenses:</b>	
Salaries and Wages	178,707
Fringe Benefits	131,400
Contractual Services	7,407
Supplies and Materials	257,746
Depreciation	9,929
Other Operating Expense	1,264
<b>Total Operating Expenses</b>	<u>586,453</u>
Operating Loss	(231,952)
<b>Nonoperating Revenue (Expenses):</b>	
Operating Grants	153,706
Investment Earnings	2,449
Refund of Prior Years Expenses	109
Other Non-Operating Revenue	4,641
<b>Total Nonoperating Revenues (Expenses)</b>	<u>160,905</u>
Change in Net Assets	(71,047)
Net Assets Beginning of Year	<u>256,399</u>
Net Assets End of Year	<u>\$ 185,352</u>

See accompanying notes to the basic financial statements

## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

***Statement of Cash Flows***  
***Proprietary Funds***  
***For the Fiscal Year Ended June 30,2004***

	Business-Type Activities Enterprise Fund
	Food Service
Cash Flows from Operating Activities:	
Cash Received from Customers	\$359,015
Cash Payments for Goods and Services	(215,080)
Cash Payments to Employees for Services and Benefits	(294,686)
Net Cash Used for Operating Activities	(150,751)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	100,275
Net Cash Provided by Noncapital Financing Activities	100,275
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Equipment	(9,892)
Net Cash Used for Capital and Related Financing Activities	(9,892)
<u>Cash Flows from Investing Activities:</u>	
Receipts of Interest	2,259
Maturity of Investment	225,011
Net Cash Provided by Investing Activities	227,270
Net Increase in Cash and Cash Equivalents	166,902
Cash and Cash Equivalents at Beginning of Year	41,235
Cash and Cash Equivalents at End of Year	\$208,137
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$231,952)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided Used for Operating Activities:	
Miscellaneous Non-Operating Income	4,750
Depreciation Expense	9,929
Donated Commodities Used During the Year	52,089
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(236)
Decrease in Inventory	2,119
Increase in Prepaid Items	(377)
Decrease in Accounts Payable	(244)
Increase in Accrued Wages and Benefits	4,658
Increase in Intergovernmental Payables	11,419
Decrease in Deferred Revenue	(2,070)
Decrease in Compensated Absences	(836)
Total Adjustments	81,201
Net Cash Used for Operating Activities	(\$150,751)

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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***Statement of Net Assets  
Fiduciary Funds  
June 30, 2004***

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	Private Purpose Trust Funds	Agency Fund	Totals
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 40,124	\$ 48,759	\$ 88,883
Investments	7,948	0	7,948
Receivables:			
Accounts	230	1,128	1,358
Interest	33	0	33
Restricted Assets:			
Cash and Cash Equivalents	1,500	0	1,500
Investments	14,862	0	14,862
<b>Total Assets</b>	<b>64,697</b>	<b>49,887</b>	<b>114,584</b>
<b>Liabilities:</b>			
Due to Students	0	49,887	49,887
<b>Total Liabilities</b>	<b>0</b>	<b>49,887</b>	<b>49,887</b>
<b>Net Assets:</b>			
Unrestricted	64,697	0	64,697
<b>Total Net Assets</b>	<b>\$ 64,697</b>	<b>\$ 0</b>	<b>\$ 64,697</b>

See accompanying notes to the basic financial statements

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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**Statement of Changes in Net Assets**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30,2004**

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Sales	\$ 16,955
Dues and Fees	606
Private Donations	1,773
Total Contributions	<u>19,334</u>
Investment Earnings:	
Interest	404
Net Increase in the Fair Value of Investments	2
Total Investment Earnings	<u>406</u>
Total Additions	<u>19,740</u>
<b>Deductions:</b>	
Administrative Expenses	12,129
Community Gifts, Awards and Scholarships	5,590
Total Deductions	<u>17,719</u>
Change in Net Assets	2,021
Net Assets at Beginning of Year	<u>62,676</u>
Net Assets End of Year	<u>\$ 64,697</u>

See accompanying notes to the basic financial statements

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

Brookville Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 73 noncertified and approximately 110 certified teaching personnel and administrative employees providing education to 1,631 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Metropolitan Dayton Educational Cooperative Association, a jointly governed organization which provides computer service to thirty (30) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the basic financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

#### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the basic financial statements.



## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting** (Continued)

The following fund types are used by the District:

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

**General Fund** - This fund is the general operating fund of the district and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bond Retirement Fund** - This fund is used for the accumulation of resources for the payment of general long-term debt principal and interest.

**Building Fund** - This fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures represent the costs of acquiring capital facilities, including real property.

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

***Proprietary Funds*** - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Enterprise Fund** - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body 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.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **B. Basis of Presentation - Fund Accounting** (Continued)

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District’s own programs. The District’s two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

#### **C. Basis of Presentation – Financial Statements**

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but Differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Fund Financial Statements*** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Basis of Presentation – Financial Statements (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types 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 statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2004, and which are not intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2004 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting** (Continued)

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the private-purpose trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. For proprietary funds the District has elected not to follow subsequent private-sector guidance.

***Revenues – Exchange and Non-exchange Transactions*** – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

#### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund are required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process** (Continued)

##### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

##### **2. Estimated Resources**

Prior to March 15, the Board 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 District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2004.

##### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

##### **4. 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 appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

# **BROOKVILLE LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. Budgetary Process (Continued)**

##### **5. Basis of Budgeting**

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>General Fund</u>
Net Change in Fund Balance	
GAAP Basis (as reported)	\$259,163
Increase (Decrease):	
Accrued Revenues at June 30, 2004, received during FY 2005	(222,586)
Accrued Revenues at June 30, 2003, received during FY 2004	313,220
Accrued Expenditures at June 30, 2004, paid during FY 2005	1,230,686
Accrued Expenditures at June 30, 2003, paid during FY 2004	(1,164,826)
FY 2003 Prepays for FY 2004	31,733
FY 2004 Prepays for FY 2005	(71,173)
Encumbrances Outstanding	(196,008)
Budget Basis	<u><u>\$180,209</u></u>

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **F. Cash and Cash Equivalents**

During fiscal year 2004, cash and cash equivalents include amounts in demand deposits and investments with original maturities of less than three months.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, "Cash, Cash Equivalents and Investments."

#### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the financial statements. See Note 3, "Cash, Cash Equivalents and Investments."

#### **H. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

#### **I. Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

**BROOKVILLE LOCAL SCHOOL DISTRICT**

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Capital Assets and Depreciation** (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined at June 30, 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment - Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	40
Machinery and Equipment	15
Vehicles	8

**J. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	Bond Retirement Fund
Compensated Absences	General Fund, Food Services Fund



## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **K. Compensated Absences**

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 252 days. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 63 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” In the government wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

##### **L. Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### **M. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **N. Interfund Activity**

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

#### **O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a reserve for textbook purchases and a reserve for capital maintenance. These reserves are required by State statute. Fund balance reserves have also been established for these amounts.

#### **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, property taxes, supplies inventory and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

#### **Q. Estimates**

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

#### **R. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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/expense is reported in the year in which services are consumed.

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **S. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

***Fund Deficits*** - The fund deficits at June 30, 2004 of \$16 in the Management Information System Fund, \$67 in the School Net Development Fund, \$97 in the Ohio Reads Grant Fund, \$4,048 in the Title VI-B Fund, and \$2,139 in the Title I Fund (special revenue funds), arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis of accounting. A deficit did not exist under the budgetary basis of accounting.

### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Category 3 consists of “interim” funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

*Investments:*

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

**A. Deposits**

At year end the carrying amount of the District's deposits was \$7,416,347 and the bank balance was \$7,588,927. The Federal Deposit Insurance Corporation (FDIC) covered \$200,000 of the bank balance and all remaining deposits were classified as Category 3.

**B. Investments**

The District's investments at June 30, 2004 were as follows:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Securities	N/A	\$17,745,075	\$17,745,075
<u>Non-Categorized Investments</u>			
Money Market Mutual Funds	N/A	N/A	66,334
Total Investments	<u>\$0</u>	<u>\$17,745,075</u>	<u>\$17,811,409</u>

# ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

#### **C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$7,459,871	\$17,767,885
Certificates of Deposit (with maturities of more than 3 months)	22,810	(22,810)
Investments:		
Money Market Mutual Funds	<u>(66,334)</u>	<u>66,334</u>
Per GASB Statement No. 3	<u>\$7,416,347</u>	<u>\$17,811,409</u>

### **NOTE 4 - TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a statistical update every third year. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

#### **NOTE 4 – TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Brookville Local School District. The County Auditor periodically remits to the District its portion of the taxes collected.

The assessed values upon which the fiscal year 2004 receipts were based, were as follows:

	2003 Second Half Collections	2004 First Half Collections
Agricultural/Residential and Other Real Estate	\$146,641,380	\$148,741,870
Public Utility Personal	5,554,870	5,355,280
Tangible Personal Property	15,435,531	14,589,666
Total Assessed Value	\$167,631,781	\$168,686,816
Tax rate per \$1,000 of assessed valuation	\$65.06	\$65.06

#### **NOTE 5- RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, interest, accounts receivable and intergovernmental receivables.

#### **NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2004:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$129,595
Bond Retirement Fund	0	23,321,988
Building Fund	23,321,988	0
Nonmajor Governmental Fund:		
Permanent Improvement Fund	129,595	0
Total Nonmajor Governmental Funds	129,595	0
Total All Funds	\$23,451,583	\$23,451,583

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**BROOKVILLE LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

**NOTE 7 - INTERFUND BALANCES**

Following is a summary of interfund receivables/payables for all funds at June 30, 2004:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$19,785	\$0
Nonmajor Governmental Funds:		
Title VI-B Fund	0	11,496
Title I Fund	0	3,387
Title VI-R Grant Fund	0	4,902
Total Nonmajor Governmental Funds	0	19,785
Totals	<u>\$19,785</u>	<u>\$19,785</u>

The Interfund Loans are short-term loans used to cover temporary cash deficits.

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2004:

***Historical Cost:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$797,425	\$0	\$0	\$797,425
Construction in Progress	0	6,344,979	0	6,344,979
<b><i>Capital assets being depreciated:</i></b>				
Land Improvements	558,459	0	0	558,459
Buildings and Improvement	4,377,136	0	0	4,377,136
Machinery and Equipment	4,589,093	91,195	0	4,680,288
Vehicles	858,575	116,934	(48,140)	927,369
Total Cost	<u>\$11,180,688</u>	<u>\$6,553,108</u>	<u>(\$48,140)</u>	<u>\$17,685,656</u>

***Accumulated Depreciation:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Land Improvements	(\$480,567)	(\$10,616)	\$0	(\$491,183)
Buildings and Improvement	(3,574,488)	(62,671)	0	(3,637,159)
Machinery and Equipment	(2,991,759)	(346,888)	0	(3,338,647)
Vehicles	(544,538)	(68,050)	43,326	(569,262)
Total Depreciation	<u>(\$7,591,352)</u>	<u>(\$488,225) *</u>	<u>\$43,326</u>	<u>(\$8,036,251)</u>
<b><i>Net Value:</i></b>	<u>\$3,589,336</u>			<u>\$9,649,405</u>



**BROOKVILLE LOCAL SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

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**NOTE 8 - CAPITAL ASSETS (Continued)**

**A. Governmental Activities Capital Assets (Continued)**

\* Depreciation expenses were charges to governmental functions as follows:

Instruction	\$383,289
Support Services:	
Pupils	2,802
Instructional Staff	10,118
Administration	11,847
Fiscal Services	868
Operations & Maintenance of Plant	8,113
Pupil Transportation	69,779
Central	885
Extracurricular Activities	524
Total Depreciation Expense	\$488,225

**B. Business-Type Activities Capital Assets**

Summary by Category at June 30, 2004:

***Historical Cost:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Machinery and Equipment	\$204,262	\$9,892	\$0	\$214,154
Total Cost	\$204,262	\$9,892	\$0	\$214,154

***Accumulated Depreciation:***

Class	June 30, 2003	Additions	Deletions	June 30, 2004
Machinery and Equipment	(\$179,049)	(\$9,929)	\$0	(\$188,978)
Total Depreciation	(\$179,049)	(\$9,929)	\$0	(\$188,978)
<b><i>Net Value:</i></b>	\$25,213	(\$37)	\$0	\$25,176

## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

##### **A. School Employees Retirement System of Ohio (SERS of Ohio)**

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor 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. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2004, 9.09% was allocated to fund the pension benefit and 4.91% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$270,000, \$315,290, and \$252,925, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2004 employer contribution rate that was used to fund health care for the year 2004 was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$115,740.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 62,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. Net assets available for payment of benefits at June 30, 2004 was \$300.8 million.

## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System of Ohio (STRS of Ohio)**

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2004, 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$853,464, \$638,352, and \$845,976, respectively, which were equal to the required contributions for each year.

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)**

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2004, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$60,962 for the District. The balance of the Health Care Reserve Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, the net health care costs paid by STRS were \$268,739,000. There were 111,853 eligible benefit recipients.

#### **NOTE 10 - NOTES PAYABLE**

Notes Payable activity of the District for the year ended June 30, 2004, was as follows:

	Balance			Balance
	June 30, 2003	Additions	Deletions	June 30, 2004
1.83% Building Construction	\$15,000,000	\$0	(\$15,000,000)	\$0
1.66% Building Construction	8,095,000	0	(8,095,000)	0
Totals	<u>\$23,095,000</u>	<u>\$0</u>	<u>(\$23,095,000)</u>	<u>\$0</u>

The notes were originally issued during the 2003 fiscal year as bond anticipation notes, with the issuance of the bond being used to pay for the construction of a new school building.

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004**

#### **NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2004 is as follows:

			Balance			Balance	Amount Due
			June 30, 2003	Additions	Deductions	June 30, 2004	Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2003	Building Construction	1.25-5.25%	\$23,398,043	\$0	\$0	\$23,398,043	\$250,823
	Compensated Absences		744,853	267,314	(266,740)	745,427	30,998
	Total Governmental Activities		24,142,896	267,314	(266,740)	24,143,470	281,821
<b>Business-Type Activities:</b>							
	Compensated Absences		10,812	927	(1,763)	9,976	0
	Total Long-Term Obligations		\$24,153,708	\$268,241	(\$268,503)	\$24,153,446	\$281,821

#### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2004 follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2005	\$250,823	\$1,053,880	\$1,304,703
2006	305,823	1,050,094	1,355,917
2007	310,823	1,044,508	1,355,331
2008	365,823	1,036,593	1,402,416
2009	375,823	1,026,776	1,402,599
2010-2014	2,494,116	4,901,584	7,395,700
2015-2019	2,664,108	5,069,609	7,733,718
2020-2024	5,174,116	3,533,625	8,707,741
2025-2029	6,849,117	2,025,875	8,874,992
2030-2032	4,607,470	332,625	4,940,095
Totals	\$23,398,043	\$21,075,169	\$44,473,212

**BROOKVILLE LOCAL SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004**

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**NOTE 12 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2003	(\$87,981)	\$92,597	\$4,616
Current Year Set-Aside Requirement	213,343	213,343	426,686
Current Year Offset Credits	0	(212,911)	(212,911)
Qualifying Disbursements	<u>(165,789)</u>	<u>(93,029)</u>	<u>(258,818)</u>
Total	<u>(\$40,427)</u>	<u>\$0</u>	<u>(\$40,427)</u>
Set-aside Cash Balance as of June 30, 2004	<u>(\$40,427)</u>	<u>\$0</u>	<u>(\$40,427)</u>
Amount Restricted for Textbooks			\$0
Amount Restricted for Capital Acquisition			<u>0</u>
Total Restricted Assets			<u>\$0</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount for capital acquisition may not be used to reduce the set-aside requirements of future years. Negative amounts for capital acquisition are therefore not presented as being carried forward to the next fiscal year.

**NOTE 13 - CONSTRUCTION COMMITMENTS**

As of June 30, 2004, the District had the following commitment with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
New Grades 4-12 Building	\$17,759,739	Jun-05

## **BROOKVILLE LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 14 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2004 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Marsh Insurance Company	School Board Liability	\$5,000
Marsh Insurance Company	Excess Liability	\$1,000
Marsh Insurance Company	Excess Property	\$1,000
Marsh Insurance Company	Boiler & Machinery	\$2,500
Marsh Insurance Company	Auto Liability	\$1,000
Marsh Insurance Company	Builders Risk	\$1,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

#### **NOTE 15 - INSURANCE PURCHASING POOL**

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (WCGRP) - The District participates in the WCGRP, an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by an executive committee elected by members of the cooperative. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

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## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA 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, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be 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. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The Montgomery County Board of Education acts as fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Computer Association – The District is a member of the Metropolitan Dayton Educational Computer Association (MDECA) is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium.



## ***BROOKVILLE LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004***

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#### **NOTE 17 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement 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 District at June 30, 2004.

##### **B. State School Funding**

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-funding plan is unconstitutional.

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

**BROOKVILLE LOCAL SCHOOL DISTRICT**

**Single Audit Reports**

**June 30, 2004**



**Report on compliance and on internal control over financial reporting  
based on an audit of financial statements performed in accordance with  
*Government Auditing Standards***

February 4, 2005

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District, (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 4, 2005. 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.

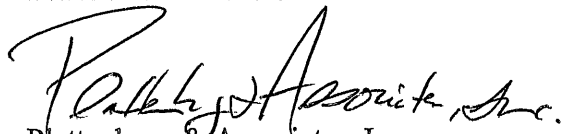
Compliance

As part of obtaining reasonable assurance about whether the District's basic 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 non-compliance required to be reported under *Government Auditing Standards*.

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 basic 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 basic 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.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State, the Board of Education, 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.

  
Plattenburg & Associates, Inc.  
Certified Public Accountants



**Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133**

February 4, 2005

To the Board of Education:

Compliance

We have audited the compliance of the Brookville Local School District, (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, 2004. The District's major federal programs are identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 of the District's compliance with those requirements.

In our opinion, 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, 2004.

### Internal Control Over Compliance


The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 the 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.

### Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated February 4, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State, the Board of Education, 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.

  
Plattenburg & Associates, Inc.  
Certified Public Accountants

**BROOKVILLE LOCAL SCHOOL DISTRICT**  
**JUNE 30, 2004**

**SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS**  
*OMB CIRCULAR A-133*

Brookville Local School District had no prior audit findings or questioned costs.

**BROOKVILLE LOCAL SCHOOL DISTRICT**

**June 30, 2004**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted



**BROOKVILLE LOCAL SCHOOL DISTRICT**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
National School Breakfast Program	05-PU	10.553	\$8,188	\$0	\$8,188	\$0
National School Lunch Program	04-PU	10.555	87,051	0	87,442	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>95,239</u>	<u>0</u>	<u>95,630</u>	<u>0</u>
Food Distribution Program	03-PU	10.550	0	52,089	0	52,089
Total U.S. Department of Agriculture -Nutrition Cluster			<u>95,239</u>	<u>52,089</u>	<u>95,630</u>	<u>52,089</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	187,378	0	192,346	0
Preschool Grant	PG-S1	84.173	13,792	0	13,792	0
Total Special Education Cluster			<u>201,170</u>	<u>0</u>	<u>206,138</u>	<u>0</u>
Education Technology State Grant	TJ-S1	84.318	3,317	0	2,699	0
Title I Grant	C1-S0	84.010	124,539	0	119,554	0
Title V	C2-S1	84.298	8,760	0	5,856	0
Drug Free Schools Grant	DR-S1	84.186	5,663	0	5,663	0
Title II-A	TR-S1	84.367	46,593	0	48,374	0
Total Department of Education			<u>390,042</u>	<u>0</u>	<u>388,284</u>	<u>0</u>
Total Federal Assistance			<u>\$485,281</u>	<u>\$52,089</u>	<u>\$483,914</u>	<u>\$52,089</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the 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 is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.

\* Information unavailable





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**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY 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  
MAY 26, 2005**