



**Auditor of State
Betty Montgomery**

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bryan City School District
Williams County
1350 Fountain Grove Drive
Bryan, Ohio 43506-8733

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bryan City School District, Williams County, (the District), as of and for the year ended June 30 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bryan City School District as of June 30 2004, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund thereof 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 10, 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.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is presented for additional analysis and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 10, 2005

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

The discussion and analysis of the 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 basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets increased \$425,243.
- General revenues accounted for \$16,599,467, or 90 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,771,557 or 10 percent of total revenues of \$18,371,024.
- The District's major funds included the general fund and the bond debt service fund. The general fund had \$15,569,671 in revenues and other financing sources and \$15,404,702 in expenditures and other financing uses. The general fund's balance increased \$164,969 from the prior fiscal year. The bond debt service fund had \$313,630 in revenues and other financing sources and \$486,659 in expenditures and other financing uses. The bond debt service fund's balance decreased \$173,029 from the prior fiscal year.
- The revenue generated from the debt service fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the general fund is by far the most significant fund. The general fund and the bond debt service fund are the only two major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General fund and the Bond Retirement Debt Service Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

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

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. Fiscal year 2003 was restated to reflect the restatement of capital assets as described in Note 3.

Table 1
Net Assets
(In Thousands)
Governmental Activities

	2004	Restated 2003
Assets:		
Current and Other Assets	\$ 12,464	\$ 14,058
Capital Assets, Net	9,998	9,812
<i>Total Assets</i>	<u>22,462</u>	<u>23,870</u>
Liabilities:		
Current and Other Liabilities	10,512	10,536
Long-Term Liabilities	3,482	3,835
<i>Total Liabilities</i>	<u>13,994</u>	<u>14,371</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	8,304	7,937
Restricted	1,858	1,765
Unrestricted	(238)	(203)
<i>Total</i>	<u>\$ 9,924</u>	<u>\$ 9,499</u>

Long-Term Liabilities decreased and Net Assets: Invested in Capital Assets, Net of Related Debt increased due to payments made on the debt in fiscal year 2004.

Table 2 reflects the changes in net assets for fiscal year 2004.

Table 2
Change in Net Assets
(In Thousands)
Governmental Activities

	2004	2003
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$ 1,017	\$ 928
Operating Grants, Contributions and Interest	755	777
Capital Grants and Contributions		33
<i>Total Program Revenues</i>	<u>1,772</u>	<u>1,738</u>

(Continued)

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)

	2004	2003
General Revenues:		
Property Taxes	9,532	9,129
Grants and Entitlements	6,961	6,604
Interest	53	66
Gifts and Donations	13	16
Miscellaneous	40	38
<i>Total General Revenues</i>	<u>16,599</u>	<u>15,853</u>
<i>Total Revenues</i>	<u>18,371</u>	<u>17,591</u>
 Expenses:		
Instruction	11,012	9,933
Support Services:		
Pupils	976	897
Instructional Staff	888	783
Board of Education	19	29
Administration	1,375	1,297
Fiscal	397	386
Business	105	92
Operation and Maintenance of Plant	1,378	1,399
Pupil Transportation	353	506
Central	62	60
Non-Instructional	636	605
Extracurricular Activities	642	533
Capital Outlay		253
Interest and Fiscal Charges	103	127
<i>Total Expenses</i>	<u>17,946</u>	<u>16,900</u>
<i>Increase in Net Assets</i>	<u>\$ 425</u>	<u>\$ 691</u>

Program revenues increased by 2 percent but were only 10 percent of total revenues in fiscal year 2002. Property tax increased due to a new tax levy in fiscal year 2004. Grants and Entitlements not restricted to specific programs increased 5 percent in fiscal year 2004 due to additional foundation revenues in fiscal year 2004.

Total expenditures increased 6 percent in fiscal year 2004 mainly due to increases in wages and health insurance.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 3
Governmental Activities
(In Thousands)
Governmental Activities

	Total Cost	Net Cost of	Total Cost	Net Cost of
	of Services	Services	of Services	Services
	2004	2004	2003	2003
Instruction	\$ 11,012	\$ 10,155	\$ 9,933	\$ 9,254
Support Services:				
Pupils	976	967	897	804
Instructional Staff	888	888	783	783
Board of Education	19	19	29	29
Administration	1,375	1,367	1,297	1,289
Fiscal	397	397	386	386
Business	105	105	92	92
Operation and Maintenance of Plant	1,378	1,378	1,399	1,399
Pupil Transportation	353	353	506	506
Central	62	62	60	60
Non-Instructional	636	107	605	(53)
Extracurricular Activities	642	273	533	233
Capital Outlay			253	253
Interest and Fiscal Charges	103	103	127	127
<i>Total Expenses</i>	<u>\$ 17,946</u>	<u>\$ 16,174</u>	<u>\$ 16,900</u>	<u>\$ 15,162</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 92 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 90 percent. The remaining 8 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund. Total governmental funds had revenues of \$18,357,985 and expenditures of \$18,185,212. The net change in fund balance in the General Fund reflects an increase of \$164,969. This was due to property tax and intergovernmental revenue increasing more than the increase in salary and health care costs. The Bond Retirement Fund had a negative change in fund balance of \$173,029 which was primarily due to a decrease in property tax revenue in the Bond Retirement Fund. Property Taxes increased in the remaining funds by \$519,340 due to a new permanent improvement tax that started in fiscal year 2004. Instruction expenditures in the other governmental funds increased by \$593,705 due to the purchase of textbooks and classroom equipment in fiscal year 2004.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

General Fund Budgeting Highlights

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 as needed.

Final expenditures were budgeted at \$17,389,173 while actual expenditures were \$15,695,775. The \$1,693,398 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$9,804,356 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see notes to the basic financial statements.

Debt

At June 30, 2004, the District had \$1,500,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty year period, with final maturity on December 1, 2007. The bonds are being retired through the Bond Retirement debt service fund.

At June 30, 2004, the District's overall legal debt margin was \$24,170,010, with an un-voted debt margin of \$285,222.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Bryan is a small rural community of 8,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 51.9 percent of district revenue sources are from local funds, 38 percent from state funds and the remaining 4 percent is from federal funds. The total expenditure per pupil was calculated at \$7,854.

In May 2002, the District passed a five-year emergency levy to generate \$1,910,000 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jane Schroeder, Treasurer, Bryan City School District, 1350 Fountain Grove Drive, Bryan, Ohio 43506.

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**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,325,886
Materials and Supplies Inventory	15,937
Accrued Interest Receivable	186
Accounts Receivable	20,962
Intergovernmental Receivable	110,652
Taxes Receivable	9,639,675
Non-Depreciable Capital Assets	631,711
Depreciable Capital Assets, net	9,172,645
<i>Total Assets</i>	23,917,654
 Liabilities	
Accounts Payable	2,366
Accrued Wages and Benefits	1,115,149
Intergovernmental Payable	481,631
Matured Compensated Absences Payable	53,864
Deferred Revenue	8,859,133
Long-Term Liabilities:	
Due Within One Year	375,000
Due in More Than One Year	3,106,700
<i>Total Liabilities</i>	13,993,843
 Net Assets	
Invested in Capital Assets, Net of Related Debt	8,304,356
Restricted for Debt Service	1,115,042
Restricted for Capital Projects	300,512
Restricted for Other Purposes	442,064
Unrestricted	(238,163)
<i>Total Net Assets</i>	\$ 9,923,811

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 8,702,990	\$ 124,697	\$ 262,888	\$ (8,315,405)
Special	1,984,103		469,384	(1,514,719)
Vocational	143,593			(143,593)
Adult/Continuing	19,940			(19,940)
Other	161,368			(161,368)
Support Services:				
Pupils	975,932		8,742	(967,190)
Instructional Staff	888,265			(888,265)
Board of Education	18,685			(18,685)
Administration	1,375,273		8,010	(1,367,263)
Fiscal	396,687			(396,687)
Business	104,495			(104,495)
Operation and Maintenance of Plant	1,377,752			(1,377,752)
Pupil Transportation	352,999			(352,999)
Central	62,147			(62,147)
Operation of Non-Instructional Services	636,465	523,312	5,673	(107,480)
Extracurricular Activities	641,962	368,851		(273,111)
Interest and Fiscal Charges	103,125			(103,125)
<i>Totals</i>	<u>\$ 17,945,781</u>	<u>\$ 1,016,860</u>	<u>\$ 754,697</u>	<u>(16,174,224)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	8,725,440
Property Taxes, Levied for Capital Projects	521,163
Property Taxes, Levied for Debt Service	285,113
Grants and Entitlements not	
Restricted to Specific Programs	6,961,490
Gifts and Donations	12,798
Investment Earnings	52,946
Miscellaneous	40,517
<i>Total General Revenues</i>	<u>16,599,467</u>
<i>Change in Net Assets</i>	425,243
Net Assets Beginning of Year	<u>9,498,568</u>
<i>Net Assets End of Year</i>	<u>\$ 9,923,811</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,330,591	\$ 1,105,224	\$ 710,974	\$ 4,146,789
Materials and Supplies Inventory			15,937	15,937
Accrued Interest Receivable	186			186
Accounts Receivable	20,962			20,962
Interfund Receivable	39,000			39,000
Intergovernmental Receivable			110,652	110,652
Taxes Receivable	8,357,197	189,618	1,092,860	9,639,675
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	179,097			179,097
Total Assets	10,927,033	1,294,842	1,930,423	14,152,298
Liabilities				
Accounts Payable	2,229		137	2,366
Accrued Wages and Benefits	1,038,285		76,864	1,115,149
Interfund Payable			39,000	39,000
Intergovernmental Payable	237,182		5,118	242,300
Matured Compensated Absences Payable	53,864			53,864
Deferred Revenue	7,875,792	183,446	1,089,774	9,149,012
Total Liabilities	9,207,352	183,446	1,210,893	10,601,691
Fund Balances				
Reserved for:				
Encumbrances	160,888		210,670	371,558
Inventories			15,937	15,937
Property Taxes	481,405	6,172	3,086	490,663
Textbooks and Instructional Materials	171,889			171,889
Budget Stabilization	7,208			7,208
Unreserved, Undesignated, Reported in:				
General Fund	898,291			898,291
Special Revenue Funds			388,334	388,334
Debt Service Funds		1,105,224		1,105,224
Capital Projects Funds			101,503	101,503
Total Fund Balances	1,719,681	1,111,396	719,530	3,550,607
Total Liabilities and Fund Balances	\$ 10,927,033	\$ 1,294,842	\$ 1,930,423	\$ 14,152,298

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances		\$ 3,550,607
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		9,804,356
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property Taxes Receivable		289,879
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(239,331)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Intergovernmental		
General Obligation Bonds Payable	(1,500,000)	
Compensated Absences Payable	<u>(1,981,700)</u>	
		<u>(3,481,700)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 9,923,811</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 8,715,870	\$ 281,467	\$ 519,340	\$ 9,516,677
Intergovernmental	6,638,446	32,163	1,045,578	7,716,187
Interest	51,141		1,805	52,946
Tuition and Fees	104,669		102,239	206,908
Rent	20,028			20,028
Extracurricular Activities			368,851	368,851
Gifts and Donations			12,798	12,798
Customer Sales and Services			421,073	421,073
Miscellaneous	39,517		1,000	40,517
<i>Total Revenues</i>	<u>15,569,671</u>	<u>313,630</u>	<u>2,472,684</u>	<u>18,355,985</u>
Expenditures				
Current:				
Instruction:				
Regular	7,861,150		622,766	8,483,916
Special	1,432,627		537,553	1,970,180
Vocational	138,692			138,692
Adult/Continuing			19,940	19,940
Other	161,368			161,368
Support Services:				
Pupils	923,441		31,708	955,149
Instructional Staff	795,296		33,304	828,600
Board of Education	18,685			18,685
Administration	1,350,436		21,466	1,371,902
Fiscal	363,780	8,534	12,533	384,847
Business	104,495			104,495
Operation and Maintenance of Plant	1,355,495		3,455	1,358,950
Pupil Transportation	394,384			394,384
Central	62,147			62,147
Operation of Non-Instructional Services			613,458	613,458
Extracurricular Activities	247,108		382,331	629,439
Capital Outlay	193,598		15,337	208,935
Debt Service:				
Principal		375,000		375,000
Interest		103,125		103,125
<i>Total Expenditures</i>	<u>15,402,702</u>	<u>486,659</u>	<u>2,293,851</u>	<u>18,183,212</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>166,969</u>	<u>(173,029)</u>	<u>178,833</u>	<u>172,773</u>
Other Financing Sources and (Uses)				
Transfers In			2,000	2,000
Transfers Out	(2,000)			(2,000)
<i>Total Other Financing Sources and (Uses)</i>	<u>(2,000)</u>		<u>2,000</u>	
<i>Net Change in Fund Balances</i>	164,969	(173,029)	180,833	172,773
Fund Balance at Beginning of Year	1,554,712	1,284,425	538,697	3,377,834
<i>Fund Balance at End of Year</i>	<u>\$ 1,719,681</u>	<u>\$ 1,111,396</u>	<u>\$ 719,530</u>	<u>\$ 3,550,607</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

Net Change in Fund Balances - Total Governmental Funds		\$ 172,773
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	558,073	
Depreciation	<u>(562,448)</u>	
Total		(4,375)
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.</p>		
Loss on Disposal of Capital Assets	<u>(2,927)</u>	(2,927)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Tuition and Fees	(91,545)	
Customer Sales and Services	70,213	
Extracurricular	<u>21,332</u>	-
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.</p>		
		375,000
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Property Taxes		15,039
<p>Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Intergovernmental Payable	(109,031)	
Compensated Absences Payable	<u>(21,236)</u>	
Total		<u>(130,267)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 425,243</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues				
Property and Other Local Taxes	\$ 8,986,108	\$ 8,276,700	\$ 8,686,399	\$ 409,699
Intergovernmental	7,224,656	6,507,000	6,638,446	131,446
Interest	73,429	66,000	54,205	(11,795)
Tuition and Fees	106,601	141,200	91,673	(49,527)
Rent	20,529	18,300	19,378	1,078
Gifts and Donations	5,743	5,000	-	(5,000)
Miscellaneous	50,457	46,000	42,457	(3,543)
<i>Total Revenues</i>	<u>16,467,523</u>	<u>15,060,200</u>	<u>15,532,558</u>	<u>472,358</u>
Expenditures				
Current:				
Instruction:				
Regular	7,923,015	8,094,015	7,949,754	144,261
Special	1,498,304	1,529,304	1,426,800	102,504
Vocational	145,496	146,696	138,636	8,060
Other	67,050	174,050	169,703	4,347
Support Services:				
Pupils	921,192	1,209,750	922,550	287,200
Instructional Staff	708,925	806,925	786,397	20,528
Board of Education	24,200	24,200	18,685	5,515
Administration	1,393,423	1,423,423	1,342,166	81,257
Fiscal	367,938	376,688	368,206	8,482
Business	121,106	171,106	136,693	34,413
Operation and Maintenance of Plant	1,839,747	1,808,247	1,462,800	345,447
Pupil Transportation	489,108	439,408	394,726	44,682
Central	67,539	78,539	77,147	1,392
Extracurricular Activities	249,500	253,800	246,379	7,421
Capital Outlay	153,572	214,272	214,133	139
<i>Total Expenditures</i>	<u>15,970,115</u>	<u>16,750,423</u>	<u>15,654,775</u>	<u>1,095,648</u>
<i>Excess of Expenditures Over (Under) Revenues</i>	<u>497,408</u>	<u>(1,690,223)</u>	<u>(122,217)</u>	<u>1,568,006</u>
Other Financing Sources and (Uses):				
Refund of Prior Year Expenditures	-	-	60	60
Advances In	-	-	2,306	2,306
Transfers Out	-	(2,000)	(2,000)	-
Advances Out	-	(39,000)	(39,000)	-
Other Financing Uses	(2,000,000)	(597,750)	-	597,750
<i>Total Other Financing Sources and (Uses)</i>	<u>(2,000,000)</u>	<u>(638,750)</u>	<u>(38,634)</u>	<u>600,116</u>
<i>Net Change in Fund Balance</i>	<u>(1,502,592)</u>	<u>(2,328,973)</u>	<u>(160,851)</u>	<u>2,168,122</u>
<i>Fund Balance at Beginning of Year</i>	2,273,111	2,273,111	2,273,111	-
Prior Year Encumbrances Appropriated	234,312	234,312	234,312	-
<i>Fund Balance at End of Year</i>	<u>\$ 1,004,831</u>	<u>\$ 178,450</u>	<u>\$ 2,346,572</u>	<u>\$ 2,168,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	<u>Agency Fund</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 29,145</u>
<i>Total Assets</i>	<u><u>\$ 29,145</u></u>
Liabilities:	
Current Liabilities:	
Undistributed Monies	<u>\$ 29,145</u>
<i>Total Liabilities</i>	<u><u>\$ 29,145</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Bryan City School District (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. Bryan City School District is a city school district as defined by § 3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 91 non-certified and 178 certified full-time teaching personnel who provide services to 2,282 students and other community members.

The Reporting Entity

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

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

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Cisco Academy of Northwest Ohio, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

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.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function 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 governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. 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.

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Bond Retirement Fund are the District's major governmental funds:

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

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

Bond Retirement Fund – The Bond Retirement is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds.

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

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

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$51,141, which includes \$20,178 assigned from other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. 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, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition of textbooks and instructional material and budget stabilization.

I. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Buildings Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. Compensated Absences

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

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. 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.

N. Fund Balance Reserves and Designations

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

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

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for textbooks and instructional materials represents money to be set-aside by statute for the purchase of textbooks and instructional materials.

O. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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

P. Estimates

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

Q. Pass-Through Grants

The Eisenhower and Handicapped Preschool special revenue funds are pass-through grants in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24 "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

R. 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 District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

3. PRIOR PERIOD AUDIT ADJUSTMENT

The beginning balance of capital assets was restated to more accurately reflect the historical cost of buildings. This had the following effect on the Net Assets as they were previously reported:

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

	<u>Total Governmental Activities</u>
Governmental Activities Net Assets of June 30, 2003	\$ 9,136,022
Adjustment of Capital Assets	362,546
Restated Governmental Activities Net Assets at June 30, 2003	<u>\$ 9,498,568</u>

4 BUDGETARY BASIS OF ACCOUNTING

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

- Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- Encumbrances are treated as expenditures (budget basis) rather than as a reservation 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:

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$ 164,969
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	459,484
Accrued FY 2004, Not Yet Received in Cash	(496,537)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(1,414,500)
Accrued FY 2004, Not Yet Paid in Cash	1,325,544
Advances In	(36,694)
Encumbrances Outstanding at Year End (Budget Basis)	(163,117)
Budget Basis	<u>\$ (160,851)</u>

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio) and,

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

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

Investments in stripped principal or interest obligations, reverse purchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

A. Deposits

At the year-end, the carrying amount of the District's deposits was \$202,189 and the bank balance was \$492,028. Of the bank balance:

- \$144,102 was covered by Federal Depository Insurance; and
- \$347,946 was collateralized by securities specifically pledged by the financial institution in the name of the District.

B. Investments

The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the District's name.

Investments as of June 30, 2004 were as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
STAR Ohio	<u>\$ 4,152,842</u>	<u>\$ 4,152,842</u>

The State Treasurer's Investment Pool (STAR Ohio) is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 4,355,031	
Investments:		
STAR Ohio	(4,152,842)	\$ 4,152,842
GASB Statement 3	\$ 202,189	\$ 4,152,842

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2004 were levied after April 1, 2003, on the assessed values as of December 31, 2002, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2004, was \$465,976 in the General Fund, \$6,172 in the Debt Service Fund, and \$3,086 in the Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$451,934 in the General Fund, and \$11,588 in the Debt Service Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 160,496,210	57.0%	\$ 166,905,710	59.0%
Industrial/Commercial	54,771,810	19.0%	56,898,570	20.0%
Public Utility	7,091,600	3.0%	6,960,300	2.0%
Tangible Personal	59,668,690	21.0%	54,457,750	19.0%
Total Assessed Value	<u>\$ 282,028,310</u>	<u>100.0%</u>	<u>\$ 285,222,330</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 58.60</u>		<u>\$ 57.95</u>	

7. RECEIVABLES

Receivables at June 30, 2004, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Food Service	\$ 18,468
Title VI-B	89,891
Title I	1,004
Title V	5
Title II-A	69
Miscellaneous Federal	1,215
<i>Total Intergovernmental Receivables</i>	<u>\$ 110,652</u>

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 631,711			\$ 631,711
<i>Total Nondepreciable Capital Assets</i>	631,711			631,711
Depreciable Capital Assets				
Land Improvements	397,290			397,290
Buildings and Building Improvements	14,668,776	\$ 105,197		14,773,973
Furniture, Fixtures, and Equipment	3,062,334	336,342	\$ 45,358	3,353,318
Vehicles	961,952	116,534	40,043	1,038,443
<i>Total Depreciable Capital Assets</i>	19,090,352	558,073	85,401	19,563,024
Less Accumulated Depreciation				
Land Improvements	156,923	416		157,339
Buildings and Building Improvements	6,464,395	236,381		6,700,776
Furniture, Fixtures, and Equipment	2,663,286	252,269	43,780	2,871,775
Vehicles	625,801	73,382	38,694	660,489
<i>Total Accumulated Depreciation</i>	9,910,405	562,448	82,474	10,390,379
<i>Depreciable Capital Assets, Net</i>	9,179,947	(4,375)	2,927	9,172,645
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$ 9,811,658</u>	<u>\$ (4,375)</u>	<u>\$ 2,927</u>	<u>\$ 9,804,356</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 194,162
Special	28,280
Vocational	2,398
Support Services:	
Pupil	118,001
Instructional Staff	13,158
Administration	47,736
Fiscal	8,855
Operation and Maintenance of Plant	23,452
Pupil Transportation	57,083
Non-Instructional Services	8,643
Extracurricular	29,234
Capital Outlay	31,446
<i>Total Depreciation Expense</i>	<u>\$ 562,448</u>

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

9. RESTRICTED ASSETS

The following amounts, which are reflected on the Balance Sheet, are restricted for various purposes.

	General Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 179,097

10. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100 percent insured.

During fiscal year 2004, Bryan City School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 17). The District contracts for education general liability, employee benefits liability, employer's liability, stop gap, errors and omissions liability, and employment practices with OSP.

Insurance coverage provided includes the following:

Education General Liability:	
Each Occurrence	\$ 1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees, which includes health, dental and life insurance. NBEC is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment, or other fees, and perform its obligations in accordance with the terms of the agreement.

11. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$179,043, \$153,887, and \$114,062, respectively, 56 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The unpaid contributions for fiscal year 2004 are \$121,608.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,296,013, \$907,100, and \$994,282, respectively, 86 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$201,764.

12. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. Effective July 1, 2004, 1 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,769,000. There were 111,853 eligible benefit recipients.

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 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent 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. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

For the District the amount to fund post employment benefits including the surcharge as of June 30, 2004 equaled \$254,972.

13. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to thirty percent of the accumulated sick leave for all certificated and certain non-certificated employees up to a maximum of 74 days, and twenty-five percent of the accumulated sick leave for all other non-certificated employees, to a maximum of 40 days.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 07/01/03	Additions	Deductions	Balance at 06/30/04	Due Within One Year
General Obligation Bonds	\$ 1,875,000		\$ 375,000	\$ 1,500,000	\$ 375,000
Compensated Absences	1,960,464	\$ 21,236		1,981,700	
Total Long-Term Obligations	<u>\$ 3,835,464</u>	<u>\$ 21,236</u>	<u>\$ 375,000</u>	<u>\$ 3,481,700</u>	<u>\$ 375,000</u>

Debt outstanding at June 30, 2004 consisted of General Obligation Bonds totaling \$1,500,000 (interest rates at June 30, 2004 were 6.30 percent). The bonds were issued in March 1987 and will mature in December 2007.

Total expenditures for interest for the above debt for the period ended June 30, 2004 was \$103,125.

The scheduled payments of principal and interest on debt outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 375,000	\$ 79,406	\$ 454,406
2006	375,000	56,250	431,250
2007	375,000	33,750	408,750
2008	375,000	11,250	386,250
Total	<u>\$ 1,500,000</u>	<u>\$ 180,656</u>	<u>\$ 1,680,656</u>

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2004, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

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

	Textbooks	Capital Acquisitions	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2003	\$ (31,505)	\$ 293,179	\$ 151,316	\$ 412,990
Current Year Set-aside Requirement	314,871	314,871		629,742
Current Year Offsets		(514,254)		(514,254)
Qualifying Disbursements	(111,477)	(110,943)	(144,108)	(366,528)
Total	<u>\$ 171,889</u>	<u>\$ (17,147)</u>	<u>\$ 7,208</u>	<u>\$ 161,950</u>
Cash Balance Carried Forward to FY 2005	<u>\$ 171,889</u>	<u>\$</u>	<u>\$ 7,208</u>	<u>\$ 179,097</u>
Amount Restricted for Textbooks and Instructional Materials				\$ 171,889
Amount Restricted for Budget Stabilization				7,208
Total Restricted Assets				<u>\$ 179,097</u>

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$220,858. Financial information can be obtained from Robin Pfund, who serves as the interim Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties, in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Crystal Meyer, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Northwest Ohio Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from the treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

17. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

The Northern Buckeye Education Council's Employee Insurance Benefits Program includes health, dental, and life, and vision insurance plans. The health and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contract with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of two representatives from each of the four counties, in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2004, the Bryan City School District contributed a total of \$1,735,466 for all four plans. Financial information can be obtained from Crystal Meyer, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council's Worker's Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation as established under §4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Worker's Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$1,939 to WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under § 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

18. SCHOOL FUNDING DECISION

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

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

19. INTERFUND TRANSFERS

During the year ended June 30, 2004, the General Fund transferred \$2,000 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

21. COMPLIANCE

A. Contrary to Ohio Revised Code § 5705.40, changes were posted to the District's appropriations throughout the year without approval by the Board in the following funds:

Management Information System Grant Fund	Ohio Reads Grant Fund
Network Connectivity Grant Fund	Drug Free Schools Grant Fund
SchoolNet Professional Development Grant Fund	Preschool Disabilities Grant Fund
Title V Innovative Education Program Fund	IDEA Part B Grant Fund
Miscellaneous State Grants Fund	Miscellaneous Federal Grants Fund
Title I Disadvantages Pupils Fund	Permanent Improvements Fund
Improving Teacher Quality Grant Fund	General Fund
District Managed Activities Fund	Auxiliary Services Fund

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

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

- B.** Expenditures exceeded appropriations as of May 31, 2004 contrary to Ohio Revised Code § 5705.41(B) in the following funds:

General Fund	Miscellaneous State Grants Fund
Food Service Fund	IDEA Part B Grant Fund
Public School Support Fund	BHS Concessions Fund
Title I Disadvantaged Pupils Grant Fund	Ohio Reads Grant Fund
District-Managed Activities Fund	Drug Free Schools Grant Fund
Auxiliary Services Fund	Preschool Disabilities Grant Fund
Management Information System Grant Fund	Improving Teacher Quality Grant Fund
Network Connectivity Grant Fund	Miscellaneous Federal Grants Fund
SchoolNet Professional Development Grant Fund	Permanent Improvements Fund
Title V Innovative Education Program Grant Fund	

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**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
National School Lunch Program		10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States (IDEA Part B)	043679 6B-SF 03P 043679 6B-SF 04P	84.027
Total Special Education Grants to States		
Special Education Preschool Grants (IDEA Preschool)	043679-PG-S1-04P	84.173
Total Special Education Cluster		
Grants to Local Educational Agencies (ESEA Title 1)	043679-C1-S1-03 043679-C1-S1-04	84.010
Total Grants to Local Educational Agencies		
Innovative Educational Program Strategies	043679-C2-S1-03 043679-C2-S1-04	84.298
Total Innovative Educational Program Strategies		
Drug-Free Schools Grant	043679-DR-S1-03 043679-DR-S1-04	84.186
Total Drug Free Schools Grant		
Eisenhower Title II Grant	043679-MS-S1-02	84.281
Technology Literacy Challenge Grant	043679-TJ-S1-03 043679-TJ-S1-04	84.318
Total Technology Literacy Challenge Grant		
Improving Teacher Quality	043679-TR-S1-03 043679-TR-S1-04	84.367
Total Class Reduction Grant		
Total U.S. Department of Education		
Totals		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 62,433		\$ 66,279
<u>\$ 148,082</u>		<u>\$ 148,082</u>	
<u>148,082</u>	<u>62,433</u>	<u>148,082</u>	<u>66,279</u>
69,033		83,416	
171,568		210,254	
<u>240,601</u>		<u>293,670</u>	
18,829		20,546	
<u>259,430</u>		<u>314,216</u>	
44,622		62,626	
206,921		194,708	
<u>251,543</u>		<u>257,334</u>	
5,365		4,434	
13,869		13,179	
<u>19,234</u>		<u>17,613</u>	
4,065		4,328	
8,743		6,930	
<u>12,808</u>		<u>11,258</u>	
		924	
807		1,915	
4,413		4,413	
<u>5,220</u>		<u>6,328</u>	
53,185		59,809	
80,311		68,104	
<u>133,496</u>		<u>127,913</u>	
<u>681,731</u>		<u>735,586</u>	
<u>\$ 829,813</u>	<u>\$ 62,433</u>	<u>\$ 883,668</u>	<u>\$ 66,279</u>

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
Fiscal Year Ended June 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The District passes-through certain Federal assistance received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As described in Note A, the District records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

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

Bryan City School District
Williams County
1350 Fountain Grove Drive
Bryan, Ohio 43506-8733

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bryan City School District, Williams County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 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 financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-004. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated February 10, 2005.

This report is intended for the information and use of the audit committee, management, 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.

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

Betty Montgomery
Auditor of State

February 10, 2005



**Auditor of State
Betty Montgomery**

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

Bryan City School District
Williams County
1350 Fountain Grove Drive
Bryan, Ohio 43506-8733

To the Board of Education:

Compliance

We have audited the compliance of Bryan City School District, Williams County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2004-005.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

February 10, 2005

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: IDEA CFDA 84.027 Early Childhood CFDA 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2004-001

Finding Repaid Under Audit

Stephen Held, Curriculum Director, retired effective May 31, 2003 and received severance payment for thirty percent of his accrued, but unused sick leave balance pursuant to the contract he had with the Board of Education. The contract provided that "The Elementary School Principal shall be entitled to the use of an

**FINDING NUMBER 2004-001
 (Continued)**

accumulation of sick leave in accordance with the Ohio law and Board policy.” The Board policy provides that professional staff will receive severance in accordance with the Collective Bargaining Agreement (CBA) between the Bryan Education Association and the Bryan City Board of Education. According to the CBA, “Each retiring member of the bargaining unit shall, upon application, be entitled to receive payment for thirty (30) percent of her/his accrued but unused sick leave.” Because there was no change in salary, the Board did not rewrite Mr. Held’s contract when he became Curriculum Director.

Mr. Held was overcompensated \$5,240.65 due to an incorrect per diem rate used in the calculation of his severance payment. The per diem rate used was based on a 184-day contract year rather than the 224-day contract year as specified in his employment contract. This resulted in the overpayment of his severance, as follows:

Calculation	Accumulated Number of Sick Days		Percent	=	Maximum Number of Days Allowed	x	Per Diem Rate	=	Gross Severance
Amount Paid	246	x	30%	=	74	x	\$ 391.72	=	\$ 28,987
Allowed by Contract	246	x	30%	=	73.8	x	\$ 321.77	=	(23,747)
Overpayment									<u>\$ 5,241</u>

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for money illegally expended is hereby issued against Stephen Held, Curriculum Director, Jane Schroeder, Treasurer, Auto-Owners Insurance, and, Travelers Casualty and Surety Company of America, jointly and severally, in favor of the General Fund in the total amount of \$5,240.65. The finding was repaid in full by Stephen Held on receipt number 223304 dated January 27, 2005

FINDING NUMBER 2004-002

Finding For Recovery

Carol Nowak, former Teacher, retired effective the end of the 2003 school year and received payment for thirty percent of her accrued, but unused sick leave balance pursuant to the collective bargaining agreement (CBA) between the Bryan Education Association and the Bryan City Board of Education. The CBA provided that “Each retiring member of the bargaining unit shall, upon application, be entitled to receive payment for thirty (30) percent of her/his accrued but unused sick leave.” She was overcompensated \$159.67 due to a rounding error in calculation of her severance, as follows:

Calculation	Accumulated Number of Sick Days		Percent	=	Maximum Number of Days Allowed	x	Per Diem Rate	=	Gross Severance
As Calculated	241.25	x	30%	=	73	x	\$ 255.47	=	\$ 18,649
As Audited	241.25	x	30%	=	72.375	x	\$ 255.47	=	(18,490)
Overpayment									<u>\$ 160</u>

**FINDING NUMBER 2004-002
 (Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for money illegally expended is hereby issued against Carol Nowak, former Teacher, Jane Schroeder, Treasurer, Auto-Owners Insurance, and Travelers Casualty and Surety Company of America, jointly and severally, in favor of the General Fund in the total amount of \$159.67.

FINDING NUMBER 2004-003

Noncompliance

Ohio Revised Code § 5705.40 provides in part that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The original appropriation measure adopted by the Board established the "legal level of control" at the function level within the General Fund and at the fund level for all other funds. Fund level changes were made to the original appropriation totals in the District's accounting records throughout fiscal year 2004 without Board approval or certification from the Budget Commission. As of May 31, 2004, the posted appropriations were greater than the approved appropriations by the following amounts:

Fund	Approved Appropriations	Posted Appropriations	Difference
General Fund	\$ 18,149,861	\$ 18,154,861	\$ 5,000
District Managed Activities Fund	243,000	273,000	30,000
Auxiliary Services Fund	19,104	101,768	82,664
Management Information System Grant Fund	-	5,000	5,000
Network Connectivity Grant Fund	7,352	15,256	7,904
Schoolnet Professional Development Grant Fund	-	4,140	4,140
Ohio Reads Grant Fund	-	6,000	6,000
Miscellaneous State Grants Fund	2,000	15,041	13,041
IDEA Part B Grant Fund	83,416	383,160	299,744
Title I Disadvantages Pupils Fund	62,626	269,546	206,920
Title V Innovative Education Program Fund	5,366	19,235	13,869
Drug Free Schools Grant Fund	4,328	13,070	8,742
Preschool Disabilities Grant Fund	-	22,429	22,429
Improving Teacher Quality Grant Fund	59,809	140,121	80,312
Miscellaneous Federal Grants Fund	24,509	28,922	4,413
Permanent Improvements Fund	-	398,800	398,800

Even though the above differences were corrected on June 21, 2004, the Board still received inaccurate budgetary reports through out the fiscal year. We recommend any changes made to appropriations at the legal level of control should be approved by the Board and certified by the Budget Commission in the same manner as the original appropriation measure.

FINDING NUMBER 2004-004

Noncompliance

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Our testing of budgetary compliance as of May 31, 2004 identified the following instances in which expenditures exceeded appropriations in the following funds at the legal level of control (the original appropriation measure adopted by the Board established the "legal level of control" at the function level within the General Fund and at the fund level for all other funds):

Description	Appropriation Authority	Budgetary Expenditures	Difference
General Fund - Other Instruction Function	\$ 117,050	\$ 164,178	\$ 47,128
General Fund - Transfers Function	-	2,000	2,000
Food Service Fund	565,378	584,847	19,469
Public School Support Fund	61,239	61,742	503
BHS Concessions Fund	22,000	25,443	3,443
District-Managed Activities Fund	249,889	280,644	30,755
Auxiliary Services Fund	27,382	63,672	36,290
Management Information System Grant Fund	-	5,031	5,031
Network Connectivity Grant Fund	7,352	22,608	15,256
SchoolNet Professional Development Grant Fund	-	1,935	1,935
Ohio Reads Grant Fund	-	6,000	6,000
Miscellaneous State Grants Fund	2,000	12,898	10,898
IDEA Part B Grant Fund	83,416	275,021	191,605
Title I Disadvantaged Pupils Grant Fund	62,626	233,482	170,856
Title V Innovative Education Program Grant Fund	6,740	18,737	11,997
Drug Free Schools Grant Fund	4,328	8,094	3,766
Preschool Disabilities Grant Fund	-	20,546	20,546
Improving Teacher Quality Grant Fund	59,809	123,906	64,097
Miscellaneous Federal Grants Fund	24,509	26,354	1,845
Permanent Improvements Fund	-	344,731	344,731

Failure to have adequate appropriations in place at the time of the expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

We recommend the Treasurer not certify the availability of funds and deny payment requests exceeding appropriations. The Treasurer may request that the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Cash Management

Finding Number	2004-005
CFDA Title and Number	Special Education Cluster – 84.027 Special Education Grants to States and 84.173 Special Education Preschool Grants
Federal Award Number / Year	043679 6B-SF 03P/ Grant Year 2003 043679 6B-SF 04P/ Grant Year 2004 043679-PG-S1-04P/ Grant Year 2004
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding

34 CFR 80.20 and 34 CFR 80.21 require cash advances to be limited to the immediate cash needs of the requesting entity. Furthermore, the Ohio Department of Education Project Cash Report requires funds to be disbursed in the month for which the funds were requested. The funds requested on the following project cash reports were not disbursed during the month for which the funds were requested:

Federal Program	Month Requested	Amount Requested	Time Period When Funds were Disbursed
FY 2003 Special Ed Grants to States	August 2003	\$ 19,971	Aug. 6, 2003 to Sept. 16, 2003
FY 2003 Special Ed Grants to States	September 2003	49,063	Sept. 18 2003 to Nov. 24 2003
FY 2004 Special Ed Grants to States	September 2003	47,063	Dec.19, 2003 to Feb. 3, 2004
FY 2004 Special Ed Grants to States	January 2004	26,146	Feb. 27, 2004 to Mar. 17, 2004
FY 2004 Early Childhood Program	September 2003	3,389	Oct. 13, 2003 to Oct. 30, 2003
FY 2004 Early Childhood Program	June 2004	1,883	After June 2004

Furthermore, the District reported a negative balance of \$49,063 on the fiscal 2003 Special Education Grants to State August 8, 2003 report when the District had a program fund balance of \$18,039. The District also reported a negative balance of \$1,883 on the fiscal year 2004 Early Childhood Program May 31, 2004 report when the District had a zero program fund balance. This has resulted in the District receiving funds that exceeded its immediate cash needs.

We recommend the Treasurer carefully monitor the grant’s cash management requirement and only request program funds for the period when program funds are to be disbursed.

**BRYAN CITY SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Prior Audit Findings
OMB Circular A -133 § .315 (b)
June 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	District incurred \$6,905 in payroll expenditures after the period of availability without the approval of the Ohio Department of Education for its fiscal year 2002 Title I grant.	Yes	



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

BRYAN CITY SCHOOL DISTRICT

WILLIAMS 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
MARCH 17, 2005**