



**Auditor of State  
Betty Montgomery**



**BELPRE CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Belpre City School District  
Washington County  
2014 Washington Boulevard  
Belpre, Ohio 45714

To the Board of Education:

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

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

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

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The School District also implemented GASB Statements 37, 38, 39 and 41 and Interpretation 6 concurrently with GASB Statement 34.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the 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 School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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

March 11, 2005

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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

**Financial Highlights**

Key financial highlights for the fiscal year 2004 are as follows:

- In total, net assets decreased \$381,918. Net assets of governmental activities decreased \$367,644, which represents a 5% decrease from 2003. Net assets of the business-type activity decreased \$14,274 or 15% from 2003.
- General revenues accounted for \$8,069,891 in revenue or 84% of governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,526,896 or 16% of governmental activities revenues of \$9,596,787.
- Total program expenses were \$10,270,022; \$9,964,431 in governmental activities and \$305,591 in the business-type activity.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Belpre City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 School District's most significant funds with all other non-major funds presented in total in one column.

***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two kinds of activities:

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

Business-Type Activity - Some services are provided on a charge for goods or services basis to recover all of the expenses of the good or services provided. The School District's food service program is reported as a business-type activity.

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 9. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities (food service); therefore, these statements will essentially match.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.



**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

(Table 1)  
 Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$9,133,386	\$10,146,559	\$30,978	\$52,380	\$9,164,364	\$10,198,939
Capital Assets, Net	6,144,276	5,742,978	93,412	91,298	6,237,688	5,834,276
<i>Total Assets</i>	<u>15,277,662</u>	<u>15,889,537</u>	<u>124,390</u>	<u>143,678</u>	<u>15,402,052</u>	<u>16,033,215</u>
<b>Liabilities</b>						
Current and Other Liabilities	6,937,234	7,080,356	35,418	41,160	6,972,652	7,121,516
Long-term Liabilities						
Due Within One Year	42,370	102,120	0	0	42,370	102,120
Due in More Than One Year	757,497	798,856	8,279	7,551	765,776	806,407
<i>Total Liabilities</i>	<u>7,737,101</u>	<u>7,981,332</u>	<u>43,697</u>	<u>48,711</u>	<u>7,780,798</u>	<u>8,030,043</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	5,906,247	5,466,178	93,412	91,298	5,999,659	5,557,476
Restricted	686,993	847,961	0	0	686,993	847,961
Unrestricted (Deficit)	947,321	1,594,066	(12,719)	3,669	934,602	1,597,735
<i>Total Net Assets</i>	<u>\$7,540,561</u>	<u>\$7,908,205</u>	<u>\$80,693</u>	<u>\$94,967</u>	<u>\$7,621,254</u>	<u>\$8,003,172</u>

Total assets decreased \$631,163, with governmental assets decreasing \$611,875 and business-type assets decreasing \$19,288. For governmental activities, over \$841,000 of the decrease is in equity in pooled cash and over \$98,000 is in property taxes while capital assets increased over \$401,000. The School District's expenditures are exceeding the revenues received for the year, using up the cash balance.

Total liabilities also decreased \$249,245, with governmental liabilities comprising all but \$5,014 of the total amount. The largest decreases are \$146,113 in contracts payable, \$67,309 in sick leave benefits, and \$8,145 in vacation benefits payable. The School District also reduced its debt liability by \$33,800. These decreases are offset by increases in accrued wages and benefits of \$42,549. There was a 4% wage increase for all certified and classified staff and an increase of 19% in health insurance costs during fiscal year 2004.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year Belpre City Schools has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

Table 2  
 Changes in Net Assets

	Governmental Activities <u>2004</u>	Business- Type Activity <u>2004</u>	<u>Total 2004</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$460,832	\$125,368	\$586,200
Operating Grants, Contributions and Interest	1,043,293	164,681	1,207,974
Capital Grants and Contributions	22,771	1,000	23,771
Total Program Revenues	<u>1,526,896</u>	<u>291,049</u>	<u>1,817,945</u>
General Revenues			
Property Taxes	5,522,475	0	5,522,475
Grants and Entitlements	2,469,791	0	2,469,791
Interest	53,392	268	53,660
Miscellaneous	24,233	0	24,233
Total General Revenues	<u>8,069,891</u>	<u>268</u>	<u>8,070,159</u>
Total Revenues	<u>9,596,787</u>	<u>291,317</u>	<u>9,888,104</u>
<b>Program Expenses</b>			
Instruction:			
Regular	4,644,106	0	4,644,106
Special	1,302,227	0	1,302,227
Vocational	42,706	0	42,706
Adult/Continuing	738	0	738
Support Services:			
Pupils	887,687	0	887,687
Instructional Staff	235,950	0	235,950
Board of Education	41,181	0	41,181
Administration	962,610	0	962,610
Fiscal	352,318	0	352,318
Business	1,496	0	1,496
Operation and Maintenance			
of Plant	926,177	0	926,177
Pupil Transportation	351,391	0	351,391
Central	10,460	0	10,460
Operation of Non-Instructional			
Service	4,453	0	4,453
Extracurricular Activities	193,883	0	193,883
Interest and Fiscal Charges	7,048	0	7,048
Food Service	0	305,591	305,591
Total Expenses	<u>9,964,431</u>	<u>305,591</u>	<u>10,270,022</u>
Decrease in Net Assets	<u>(\$367,644)</u>	<u>(\$14,274)</u>	<u>(\$381,918)</u>

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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***Governmental Activities***

Property taxes made up approximately 57.5 percent of revenues for governmental activities for Belpre City School District. Of the remaining, the School District receives 36.8 percent from state foundation, federal, and state grants; 4.9 percent from charges for services and .8 percent from interest and local entities.

Over 60 percent of the School district's budget is used to fund instructional expenditures. Support services make up 38 percent of expenditures and 2 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

During the fiscal year, the School District experienced changes in the following: a 19 percent increase in health insurance costs, a negotiated 4 percent increase in salary costs, increased open enrollment to other districts, increased workers compensation costs, as well as increases in utility and fuel costs.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and investment earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements. Comparisons to 2003 have not been made since they are not available.

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2004	2004
<b>Program Expenses</b>		
Instruction:		
Regular	\$4,644,106	\$4,147,888
Special	1,302,227	535,860
Vocational	42,706	35,819
Adult/Continuing	738	738
Support Services:		
Pupils	887,687	817,311
Instructional Staff	235,950	177,081
Board of Education	41,181	41,181
Administration	962,610	962,610
Fiscal	352,318	352,318
Business	1,496	1,496
Operation and Maintenance of Plant	926,177	910,327
Pupil Transportation	351,391	314,218
Central	10,460	5,460
Operation of Non-Instructional Services	4,453	4,107
Extracurricular Activities	193,883	124,073
Interest and Fiscal Charges	7,048	7,048
Total	<u>\$9,964,431</u>	<u>\$8,437,535</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Over 80 percent of total expenditures are supported through taxes and other general revenues.

***Business-Type Activity***

The business-type activity involves the School District's food service operation. This program had total revenues of \$291,317 and total expenses of \$305,591 for fiscal year 2004. It is the intent of Management to increase prices gradually in future years and explore alternative measures to increase revenues. The operating losses are due to increases in personnel costs, supply and material costs, and repair or replacement costs of aging equipment.

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

**The School District Funds**

The School District's major fund, the General Fund, is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,642,238 and expenditures of \$10,675,602. The \$568,458 decrease in fund balance in the General Fund is due to a 19 percent increase in health insurance costs, a negotiated 4 percent salary increase, and open enrollment increases to other districts. The Other Governmental Funds also have a decrease in fund balance of \$221,906 due primarily to the increases listed for the General Fund. Although all governmental fund revenues exceeded the prior year's revenues by over 5 percent, it was not enough to offset the over 14 percent increase in expenditures.

***General Fund Budgeting Highlights***

The School 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 2004, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$8,596,463, above original estimates of \$8,343,111. The majority of this difference was due to a procedural change in how to record open enrollment revenues and expenditures. Expenditures of \$9,197,674 were higher than original appropriations of \$9,161,777. The majority of this difference is due to additional open enrollment and community school expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the School District had \$6,237,688 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

(Table 4)  
 Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$1,232,814	\$1,232,814	\$0	\$0	\$1,232,814	\$1,232,814
Land Improvements	435,102	455,612	0	0	435,102	455,612
Buildings and Improvements	2,935,978	2,518,041	0	0	2,935,978	2,518,041
Furniture and Equipment	851,775	779,006	93,412	91,298	945,187	870,304
Vehicles	678,607	612,017	0	0	678,607	612,017
Construction in Progress	10,000	145,488	0	0	10,000	145,488
<b>Totals</b>	<b>\$6,144,276</b>	<b>\$5,742,978</b>	<b>\$93,412</b>	<b>\$91,298</b>	<b>\$6,237,688</b>	<b>\$5,834,276</b>

**Belpre City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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In 2004, the School District had capital projects that included purchase of a school bus, installation of air conditioning at Belpre Middle School, installation of a fire alarm system at Belpre Elementary, roof and ceiling replacement at Belpre High School, Belpre Middle School and Stone Elementary School due to hail damage. Insurance reimbursed the School District for approximately 88 percent of the cost of the roof replacement.

See Note 12 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2004, the School District had \$243,000 in energy conservation loans outstanding which had been issued in fiscal year 2002. See Note 15 to the basic financial statements for more information on debt.

**Current Issues**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and work to prudently utilize, efficiently and effectively, the tax dollars and other resources available.

The School District faces many challenges in today's environment and does not anticipate any meaningful growth in State revenue due to uncertainties surrounding the State budget and the State's unwillingness to adequately support school districts with higher property valuations per pupil. The School District relies heavily on its taxpayers to support its operations and asked the community on February 8, 2005, to renew an Emergency Levy that expired on December 31, 2004. The levy passed.

Based upon the current financial situation, with the renewal of the Emergency Levy, the School District will be able to maintain financial stability through 2007 by trimming expenses and living within the means provided. Upon reviewing the School District's five-year forecast, the biggest concerns are fiscal year 2008 and beyond.

The School District is reviewing current programs and will use attrition as much as possible to reduce future costs. Negotiations for the teaching staff are scheduled for the spring and summer of 2005. The classified staff has a negotiated re-opener for salary and benefits for 2005.

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eva Yeager, Treasurer at Belpre City School District, 2014 Washington Blvd., Belpre, Ohio 45714, or e-mail at [bc\\_eyeaeger@seovec.org](mailto:bc_eyeaeger@seovec.org).

**Belpre City School District, Ohio**

*Statement of Net Assets*

*June 30, 2004*

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,134,661	\$26,120	\$3,160,781
Cash and Cash Equivalents in Segregated Accounts	409	0	409
Investments	5,000	0	5,000
Inventory Held for Resale	0	3,329	3,329
Materials and Supplies Inventory	29,477	1,398	30,875
Intergovernmental Receivable	58,978	0	58,978
Prepaid Items	889	0	889
Accounts Receivable	7,922	131	8,053
Property Taxes Receivable	5,891,079	0	5,891,079
Deferred Charges	4,971	0	4,971
Nondepreciable Capital Assets	1,242,814	0	1,242,814
Depreciable Capital Assets, Net	4,901,462	93,412	4,994,874
<i>Total Assets</i>	<u>15,277,662</u>	<u>124,390</u>	<u>15,402,052</u>
<b>Liabilities</b>			
Accounts Payable	38,032	0	38,032
Accrued Wages and Benefits Payable	1,093,777	23,814	1,117,591
Contracts Payable	10,000	0	10,000
Vacation Benefits Payable	43,288	0	43,288
Deferred Revenue	5,417,431	0	5,417,431
Intergovernmental Payable	334,706	11,604	346,310
Long-Term Liabilities:			
Due Within One Year	42,370	0	42,370
Due In More Than One Year	757,497	8,279	765,776
<i>Total Liabilities</i>	<u>7,737,101</u>	<u>43,697</u>	<u>7,780,798</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,906,247	93,412	5,999,659
Restricted for:			
Capital Projects	170,997	0	170,997
Other Purposes	53,795	0	53,795
Budget Stabilization	299,082	0	299,082
Bus Purchase	40,012	0	40,012
Textbooks	114,106	0	114,106
Unclaimed Monies	1,790	0	1,790
Music Trust:			
Non-Expendable	5,000	0	5,000
Expendable	2,211	0	2,211
Unrestricted (Deficit)	947,321	(12,719)	934,602
<i>Total Net Assets</i>	<u>\$7,540,561</u>	<u>\$80,693</u>	<u>\$7,621,254</u>

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues				Net (Expense)Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$4,644,106	\$303,450	\$192,768	\$0	(\$4,147,888)	\$0	(\$4,147,888)
Special	1,302,227	40,157	726,210	0	(535,860)	0	(535,860)
Vocational	42,706	0	6,887	0	(35,819)	0	(35,819)
Adult/Continuing	738	0	0	0	(738)	0	(738)
Support Services:							
Pupils	887,687	46,905	23,471	0	(817,311)	0	(817,311)
Instructional Staff	235,950	0	58,869	0	(177,081)	0	(177,081)
Board of Education	41,181	0	0	0	(41,181)	0	(41,181)
Administration	962,610	0	0	0	(962,610)	0	(962,610)
Fiscal	352,318	0	0	0	(352,318)	0	(352,318)
Business	1,496	0	0	0	(1,496)	0	(1,496)
Operation and							
Maintenance of Plant	926,177	510	340	15,000	(910,327)	0	(910,327)
Pupil Transportation	351,391	0	29,402	7,771	(314,218)	0	(314,218)
Central	10,460	0	5,000	0	(5,460)	0	(5,460)
Operation of Non-Instructional							
Services	4,453	0	346	0	(4,107)	0	(4,107)
Extracurricular Activities	193,883	69,810	0	0	(124,073)	0	(124,073)
Interest and Fiscal Charges	7,048	0	0	0	(7,048)	0	(7,048)
<i>Total Governmental Activities</i>	9,964,431	460,832	1,043,293	22,771	(8,437,535)	0	(8,437,535)
<b>Business-Type Activity</b>							
Food Service	305,591	125,368	164,681	1,000	0	(14,542)	(14,542)
<i>Totals</i>	<u>\$10,270,022</u>	<u>\$586,200</u>	<u>\$1,207,974</u>	<u>\$23,771</u>	<u>(8,437,535)</u>	<u>(14,542)</u>	<u>(8,452,077)</u>
<b>General Revenues</b>							
Property Taxes Levied for General Purposes					5,522,475	0	5,522,475
Grants and Entitlements not Restricted to Specific Programs					2,469,791	0	2,469,791
Interest					53,392	268	53,660
Miscellaneous					24,233	0	24,233
<i>Total General Revenues</i>					<u>8,069,891</u>	<u>268</u>	<u>8,070,159</u>
<i>Change in Net Assets</i>					(367,644)	(14,274)	(381,918)
<i>Net Assets Beginning of Year - See Note 3</i>					<u>7,908,205</u>	<u>94,967</u>	<u>8,003,172</u>
<i>Net Assets End of Year</i>					<u>\$7,540,561</u>	<u>\$80,693</u>	<u>\$7,621,254</u>

See accompanying notes to the basic financial statements



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**Belpre City School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,334,604	\$346,857	\$2,681,461
Cash and Cash Equivalents in Segregated Accounts	0	409	409
Investments	0	5,000	5,000
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	453,200	0	453,200
Receivables:			
Property Taxes	5,891,079	0	5,891,079
Accounts	7,107	815	7,922
Intergovernmental	16,855	42,123	58,978
Prepaid Items	889	0	889
Materials and Supplies Inventory	29,477	0	29,477
<i>Total Assets</i>	<u>\$8,733,211</u>	<u>\$395,204</u>	<u>\$9,128,415</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$31,085	\$6,947	\$38,032
Accrued Wages and Benefits Payable	968,539	125,238	1,093,777
Contracts Payable	10,000	0	10,000
Intergovernmental Payable	216,559	21,135	237,694
Deferred Revenue	5,848,088	0	5,848,088
<i>Total Liabilities</i>	<u>7,074,271</u>	<u>153,320</u>	<u>7,227,591</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	39,929	29,173	69,102
Reserved for Contributions	0	5,000	5,000
Reserved for Property Taxes	49,362	0	49,362
Reserved for Bus Purchase	40,012	0	40,012
Reserved for Budget Stabilization	299,082	0	299,082
Reserved for Textbooks	114,106	0	114,106
Reserved for Unclaimed Monies	1,790	0	1,790
Unreserved, Undesignated, Reported in:			
General Fund	1,114,659	0	1,114,659
Special Revenue Funds	0	35,703	35,703
Capital Projects Funds	0	169,797	169,797
Permanent Fund	0	2,211	2,211
<i>Total Fund Balances</i>	<u>1,658,940</u>	<u>241,884</u>	<u>1,900,824</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,733,211</u>	<u>\$395,204</u>	<u>\$9,128,415</u>

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

<b>Total Governmental Fund Balances</b>		<b>\$1,900,824</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,144,276
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$424,286	
Student Fees	<u>6,371</u>	430,657
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		4,971
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the Balance Sheet until due.		(43,288)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(97,012)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Bus Bonds Payable	(243,000)	
Sick Leave Benefits Payable	<u>(556,867)</u>	<u>(799,867)</u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$7,540,561</u></u></b>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$5,560,654	\$0	\$5,560,654
Intergovernmental	2,667,639	866,507	3,534,146
Interest	53,392	346	53,738
Tuition and Fees	311,725	30,198	341,923
Extracurricular Activities	0	110,638	110,638
Miscellaneous	25,462	15,677	41,139
<i>Total Revenues</i>	<u>8,618,872</u>	<u>1,023,366</u>	<u>9,642,238</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,524,215	244,476	4,768,691
Special	695,823	592,602	1,288,425
Vocational	53,558	0	53,558
Adult/Continuing	0	738	738
Support Services:			
Pupils	803,312	70,796	874,108
Instructional Staff	167,068	67,437	234,505
Board of Education	41,149	0	41,149
Administration	952,859	0	952,859
Fiscal	371,450	0	371,450
Business	1,496	0	1,496
Operation and Maintenance of Plant	911,416	15,407	926,823
Pupil Transportation	424,363	478	424,841
Central	0	9,794	9,794
Operation of Non-Instructional Services	0	250	250
Extracurricular Activities	133,155	64,903	198,058
Capital Outlay	57,964	180,305	238,269
Debt Service:			
Principal Retirement	0	276,800	276,800
Issuance Costs	0	5,100	5,100
Interest and Fiscal Charges	0	8,688	8,688
<i>Total Expenditures</i>	<u>9,137,828</u>	<u>1,537,774</u>	<u>10,675,602</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(518,956)</u>	<u>(514,408)</u>	<u>(1,033,364)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Loans	0	243,000	243,000
Transfers In	0	49,502	49,502
Transfers Out	(49,502)	0	(49,502)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,502)</u>	<u>292,502</u>	<u>243,000</u>
<i>Net Change in Fund Balances</i>	(568,458)	(221,906)	(790,364)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,227,398</u>	<u>463,790</u>	<u>2,691,188</u>
<i>Fund Balances End of Year</i>	<u>\$1,658,940</u>	<u>\$241,884</u>	<u>\$1,900,824</u>

See accompanying notes to the basic financial statements

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

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**Net Change in Fund Balances - Total Governmental Funds** (\$790,364)

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

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

Capital Asset Additions	\$638,226	
Depreciation Expense	(233,818)	404,408

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Loss on Disposal of Capital Assets		(3,110)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Student Fees	965	
Grants	(8,237)	
Other	(45,000)	
Delinquent Taxes	(38,179)	(90,451)

Loan proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities: (243,000)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the issuance costs on the bonds. 5,100

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 276,800

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due.

Accrued Interest Payable	1,769	
Amortization of Issuance Costs	(129)	1,640

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

Intergovernmental Payable	(4,121)	
Vacation Benefits Payable	8,145	
Sick Leave Benefits Payable	67,309	71,333

*Change in Net Assets of Governmental Activities* (\$367,644)

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$5,572,707	\$5,396,178	\$5,591,416	\$195,238
Intergovernmental	2,724,404	2,574,492	2,667,639	93,147
Interest	10,000	59,288	61,433	2,145
Tuition and Fees	10,000	262,141	271,626	9,485
Miscellaneous	26,000	4,197	4,349	152
<i>Total Revenues</i>	<u>8,343,111</u>	<u>8,296,296</u>	<u>8,596,463</u>	<u>300,167</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,313,422	4,604,609	4,515,383	89,226
Special	699,916	746,746	723,412	23,334
Vocational	113,704	113,704	59,775	53,929
Support Services:				
Pupils	795,741	802,341	787,717	14,624
Instructional Staff	167,162	167,162	165,223	1,939
Board of Education	57,162	57,162	45,290	11,872
Administration	1,006,805	985,305	944,537	40,768
Fiscal	398,478	395,903	380,703	15,200
Business	3,000	3,000	1,593	1,407
Operation and Maintenance of Plant	901,719	957,419	928,692	28,727
Pupil Transportation	445,521	448,121	438,603	9,518
Central	490	485	0	485
Extracurricular Activities	163,527	165,827	135,227	30,600
Capital Outlay	95,130	71,782	71,519	263
<i>Total Expenditures</i>	<u>9,161,777</u>	<u>9,519,566</u>	<u>9,197,674</u>	<u>321,892</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(818,666)</u>	<u>(1,223,270)</u>	<u>(601,211)</u>	<u>622,059</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	40,000	45,162	46,796	1,634
Advances In	1,557	1,052	1,090	38
Refund of Prior Year Receipts	(70,000)	(70,010)	(10)	70,000
Advances Out	(10,000)	(8,000)	0	8,000
Transfers Out	(48,000)	(50,000)	(49,502)	498
<i>Total Other Financing Sources (Uses)</i>	<u>(86,443)</u>	<u>(81,796)</u>	<u>(1,626)</u>	<u>80,170</u>
<i>Net Change in Fund Balance</i>	(905,109)	(1,305,066)	(602,837)	702,229
<i>Fund Balance Beginning of Year</i>	3,234,432	3,234,432	3,234,432	0
Prior Year Encumbrances Appropriated	<u>75,426</u>	<u>75,426</u>	<u>75,426</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,404,749</u>	<u>\$2,004,792</u>	<u>\$2,707,021</u>	<u>\$702,229</u>

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2004*

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	<u>Business-Type Activity - Food Service Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$26,120
Inventory Held for Resale	3,329
Materials and Supplies Inventory	1,398
Accounts Receivable	<u>131</u>
<i>Total Current Assets</i>	30,978
Noncurrent Assets:	
Depreciable Capital Assets, net	<u>93,412</u>
<i>Total Assets</i>	<u>124,390</u>
<b>Liabilities</b>	
Current Liabilities:	
Accrued Wages and Benefits	23,814
Intergovernmental Payable	<u>11,604</u>
<i>Total Current Liabilities</i>	35,418
Long-term Liabilities:	
Sick Leave Benefits Payable	<u>8,279</u>
<i>Total Liabilities</i>	<u>43,697</u>
<b>Net Assets</b>	
Invested in Capital Assets	93,412
Unrestricted (Deficit)	<u>(12,719)</u>
Total Net Assets	<u><u>\$80,693</u></u>

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2004*

	Business-Type Activity - Food Service Fund
<b>Operating Revenues</b>	
Sales	\$125,368
<b>Operating Expenses</b>	
Salaries	92,941
Fringe Benefits	36,846
Purchased Services	4,693
Materials and Supplies	26,900
Cost of Sales	142,080
Depreciation	2,131
<i>Total Operating Expenses</i>	305,591
<i>Operating Loss</i>	(180,223)
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	12,500
Interest	268
Federal and State Subsidies	152,181
<i>Total Non-Operating Revenues</i>	164,949
<i>Loss before Capital Contribution</i>	(15,274)
Capital Contributions	1,000
<i>Net Change in Net Assets</i>	(14,274)
<i>Net Assets at Beginning of Year - Restated (See Note 3)</i>	94,967
<i>Net Assets at End of Year</i>	\$80,693

See accompanying notes to the basic financial statements



**Belpre City School District, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2004

	Business-Type Activity - Food Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$125,237
Cash Payments to Suppliers for Goods and Services	(161,810)
Cash Payments for Employee Services	(91,603)
Cash Payments for Employee Benefits	(43,023)
Net Cash Used for Operating Activities	(171,199)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	152,181
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Contributions	1,000
Payments for Capital Acquisitions	(4,245)
Net Cash Used for Capital and Related Financing Activities	(3,245)
<b>Cash Flows from Investing Activities</b>	
Interest	268
<i>Net Decrease in Cash and Cash Equivalents</i>	(21,995)
<i>Cash and Cash Equivalents at Beginning of Year</i>	48,115
<i>Cash and Cash Equivalents at End of Year</i>	\$26,120
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$180,223)
Depreciation	2,131
Donated Commodities Received During Year	12,500
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(331)
Increase in Materials and Supplies Inventory	(131)
Increase in Accounts Receivable	(131)
Decrease in Accounts Payable	(175)
Decrease in Accrued Wages and Benefits Payable	(602)
Increase in Sick Leave Benefits Payable	728
Decrease in Intergovernmental Payable	(4,965)
Net Cash Used for Operating Activities	(\$171,199)

Non-Cash Non-Capital Financing Transactions: During fiscal year 2004, the Food Service Enterprise Fund received \$12,500 in donated commodities.

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,052</u>
<b>Liabilities</b>	
Due to Students	<u>\$33,052</u>

See accompanying notes to the basic financial statements

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 66 classified employees and 101 certified personnel, who provide services to 1,316 students and other community members.

*Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the South Eastern Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activity and to its enterprise fund unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the School District's accounting policies are described below.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary, and fiduciary.

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

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

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

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service (This School District has no internal service funds).

***Enterprise Fund*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's only enterprise fund accounts for the operation of the School District's food service program.

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

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in 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 are generally 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 fund financial statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

***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. Proprietary and fiduciary funds also use 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 basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

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

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

**Expenses/Expenditures** On the accrual basis, expenses are recognized at the time they are incurred.

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

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments were limited to certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$53,392, which includes \$5,759 assigned from other School District funds.

**Belpre City School District, Ohio**  
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The School District has a segregated bank account for athletic activities. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption and donated and purchased commodities held for resale.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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. Capital assets utilized by the Food Service Enterprise Fund are reported both in the business-type activity column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Land Improvements	30 – 150 years
Furniture and Equipment	10 – 50 years
Vehicles	20 years

***I. Interfund Balances***

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". These amounts are eliminated in the governmental activities column of the statement of net assets. The School District had no interfund balances at fiscal year end.

**Belpre City School District, Ohio**  
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***J. 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, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional material and budget stabilization. See Note 20 for additional information regarding set-asides.

***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 School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances for most employees are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

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

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the enterprise fund 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, 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. Interfund Activity***

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.



**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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***N. Fund Balance Reserves***

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

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 budget stabilization represents monies formerly required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

***O. 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include music and athletic programs, community education, and local, federal, and state grants restricted to expenditure for specified purposes.

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

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

***Q. Extraordinary and Special Items***

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

***R. 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.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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***S. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

**Note 3 – Change in Accounting Principles**

For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This Statement had no effect on the budgetary presentation of the School District.

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GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, and the conversion to the accrual basis of accounting.

**Restatement of Net Assets/Fund Balance** The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total
Fund Balances, June 30, 2003	\$2,204,420	\$422,674	\$2,627,094
Fund Reclassification	25	41,116	41,141
Interpretation 6	22,953	0	22,953
Adjusted Fund Balances, June 30, 2003	\$2,227,398	\$463,790	2,691,188
GASB 34 Adjustments:			
Capital Assets			5,742,978
Accrued Interest Payable			(1,769)
Pension Obligation			(92,891)
Vacation Benefits Payable			(51,433)
Long-term Liabilities			(900,976)
Long-term (Deferred) Assets			521,108
Governmental Activities Net Assets, June 30, 2003			\$7,908,205

At June 30, 2003, the business-type activities had the following restatements. These restatements had the following effect on net assets as it was previously reported.

	Business-Type Activities
Fund Equity, June 30, 2003	\$128,993
Fund Reclassification	(34,026)
Adjusted Net Assets, June 30, 2003	\$94,967

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 4 – Fund Deficits**

Fund balances at June 30, 2004, included the following individual fund deficits:

**Special Revenue Funds:**

Title I	\$26,504
Title II-A	\$16,257
Disadvantaged Pupil Impact Aide	\$11,388
Alternative Learning	\$6,384
Student Intervention	\$1,431

The special revenue deficit balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Belpre City School District, Ohio**  
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Net Change in Fund Balance

GAAP Basis	(\$568,458)
Net Adjustment for Revenue Accruals	16,346
Prepaid Items:	
Beginning of Fiscal Year	822
End of Fiscal Year	(889)
Net Adjustment for Expenditure Accruals	20,994
Unreported Interest - Beginning of Fiscal Year	8,041
Advances In	1,090
Adjustment for Encumbrances	(80,783)
Budget Basis	<u><u>(\$602,837)</u></u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance 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 monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Cash on Hand** At fiscal year end, the School District had \$270 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

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

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$3,198,972 and the bank balance was \$3,233,930. Of the bank balance:

1. \$168,444 was covered by federal depository insurance; and
2. \$3,065,486 was collateralized with securities held by the pledging financial institution's trust department in the School District's name.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had no investments at fiscal year end.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments and the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$3,194,242	\$5,000
Cash on Hand	(270)	0
Certificate of Deposit	5,000	(5,000)
GASB Statement 3	\$3,198,972	\$0

**Note 7 - Property Taxes**

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

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

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually.

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If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 includes real, personal property, and public utility taxes which are 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, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred. The amount available as an advance at June 30, 2004, was \$49,362 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2003, was \$80,124.

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 And Other Real Estate	\$111,634,110	55.27%	\$112,877,750	56.38%
Public Utility Personal	7,127,450	3.53%	7,183,680	3.59%
Tangible Personal Property	83,211,540	41.20%	80,147,940	40.03%
<b>Total</b>	<b>\$201,973,100</b>	<b>100.00%</b>	<b>\$200,209,370</b>	<b>100.00%</b>
 Tax Rate per \$1,000 of assessed valuation	 \$31.00		 \$31.00	

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, student fees, and tuition), and intergovernmental grants. 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. All receivables are expected to be collected within one year.



**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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A summary of principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<u>Amounts</u>
IDEA-B	\$29,266
Title I	4,505
E-Rate	8,352
Refunds	<u>16,855</u>
Total	<u><u>\$58,978</u></u>

**Note 9 - Interfund Activity**

During fiscal year 2004, the General Fund transferred \$1,982 to the Athletic and Music Special Revenue Fund and \$47,520 to the Permanent Improvement Capital Projects Fund. The transfer to the Athletic and Music Fund was to cover additional expenditures of the program not covered by fees. The transfer to the Permanent Improvement Fund was made to help cover costs of improvements.

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance Company for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$22,771,384 on buildings and contents. The policies include a \$5,000 deductible.

Professional and general liability is protected by Indiana Insurance Company with a \$1,000,000 single occurrence limit with \$2,000,000 aggregate and \$5,000 deductible. Vehicles are covered also by Indiana Insurance Company and hold a \$1,000 deductible for both comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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

**B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 11 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for central office employees, 238 days for certified employees, and 220 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for central office employees, 57 days for certified employees, and 52 days for classified employees.

***B. Insurance***

The School District provides health and major medical insurance for all eligible employees by contracting with Anthem Blue Cross/Blue Shield Insurance Company. The School District pays monthly premiums of up to \$938.68 for family and up to \$339.30 for individual for Point of Service coverage and up to \$950.07 for family and \$343.43 for individual for Preferred Provider Organizations coverage. Premiums are paid from the same funds that pay the employees' salaries. By the end of the fiscal year, the School District offered only the PPO plan.

The School District provides life insurance and accidental death dismemberment to most employees through Met Insurance Company in the amount of \$25,000 for classified employees and \$25,000 for certified employees, \$60,000 for administrators, \$50,000 for the treasurer and \$100,000 for the superintendent.

Dental coverage is provided through Core Source, Inc. Premiums for this coverage are \$42.36 monthly for family and individual coverage. The School District also provides vision insurance to its employees through Vision Service Plan. The monthly premium for this coverage is \$12.50 for family and individual coverage.

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**Note 12 - Capital Assets**

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

	Balance 6/30/03	Additions	Reductions	Balance 6/30/04
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$1,232,814	\$0	\$0	\$1,232,814
Construction in Progress	145,488	10,000	(145,488)	10,000
Total capital assets not being depreciated	<u>1,378,302</u>	<u>10,000</u>	<u>(145,488)</u>	<u>1,242,814</u>
Capital assets being depreciated				
Buildings and Improvements	5,030,661	512,928	0	5,543,589
Furniture and Equipment	1,587,494	162,241	(33,266)	1,716,469
Vehicles	847,375	98,545	0	945,920
Total capital assets being depreciated	<u>7,465,530</u>	<u>773,714</u>	<u>(33,266)</u>	<u>8,205,978</u>
Accumulated depreciation				
Buildings and Improvements	(2,057,008)	(115,501)	0	(2,172,509)
Furniture and Equipment	(808,488)	(86,362)	30,156	(864,694)
Vehicles	(235,358)	(31,955)	0	(267,313)
Total accumulated depreciation	<u>(3,100,854)</u>	<u>(233,818) *</u>	<u>30,156</u>	<u>(3,304,516)</u>
Capital assets being depreciated, net	<u>4,364,676</u>	<u>539,896</u>	<u>(3,110)</u>	<u>4,901,462</u>
Governmental Activities capital assets, net	<u><u>\$5,742,978</u></u>	<u><u>\$549,896</u></u>	<u><u>(\$148,598)</u></u>	<u><u>\$6,144,276</u></u>
<b>Business-Type Activity:</b>				
Capital assets being depreciated				
Furniture and Fixtures	\$133,980	\$4,245	\$0	\$138,225
Less Accumulated Depreciation	(42,682)	(2,131)	0	(44,813)
Business-Type Activity capital assets, net	<u><u>\$91,298</u></u>	<u><u>\$2,114</u></u>	<u><u>\$0</u></u>	<u><u>\$93,412</u></u>

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$121,243
Special Instruction	9,256
Vocational	709
Support Services:	
Pupils	13,513
Instructional Staff	5,350
Board of Education	32
Administration	12,543
Fiscal	1,656
Operation and Maintenance of Plant	13,931
Pupil Transportation	33,449
Central	666
Extracurricular Activities	17,267
Operation of Non-Instructional Services	4,203
Total Depreciation Expense	<u><u>\$233,818</u></u>

### **Note 13 - Defined Benefit Pension Plans**

#### ***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$130,039, \$116,904, and \$73,992, respectively; 44.20 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$617,758, \$565,661, and \$442,763, respectively; 82.10 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$9,610 made by the School District and \$16,898 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 14 - Postemployment Benefits**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$47,520 for fiscal year 2004.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$96,204.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

**Note 15 - Long Term Obligations**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/03	Additions	Reductions	Principal Outstanding 6/30/04	Amounts Due in One Year
<b>Governmental Activities</b>					
November 1, 2001, \$346,000					
Energy Conservation Loan - 3.53%	\$276,800	\$0	\$276,800	\$0	\$0
April 29, 2004, \$243,000					
Energy Conservation Loan - 4.5%	0	243,000	0	243,000	35,000
Sick Leave Benefits	624,176	3,280	70,589	556,867	7,370
Total Governmental Activities	<u>\$900,976</u>	<u>\$246,280</u>	<u>\$347,389</u>	<u>\$799,867</u>	<u>\$42,370</u>
<b>Business-Type Activity</b>					
Sick Leave Benefits	<u>\$7,551</u>	<u>\$728</u>	<u>\$0</u>	<u>\$8,279</u>	<u>\$0</u>

On November 7, 2001, Belpre City School District issued \$346,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loan will be paid from energy savings realized from the energy conservation measures.

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Disadvantaged Pupil Impact Aid, Title IDEA-B, Title I, and Title II-A Special Revenue Funds, and the Food Service Enterprise Fund.

The overall debt margin of the School District as of June 30, 2004, was \$18,018,843, with an unvoted debt margin of \$200,209. Principal and interest requirements to retire the energy conservation loans outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$35,000	\$4,508	\$39,508
2006	35,000	7,716	42,716
2007	35,000	6,418	41,418
2008	35,000	5,120	40,120
2009	35,000	3,822	38,822
2010-2011	68,000	3,784	71,784
Total	<u>\$243,000</u>	<u>\$31,368</u>	<u>\$274,368</u>

**Note 16 – Contractual Commitments**

As of June 30, 2004, the School District had contractual commitments for paving projects at the bus garage and high school for \$28,570. The School District is reporting construction in progress for amounts already expended at June 30, 2004, for \$10,000.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 17 - Jointly Governed Organizations**

***A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium 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. SEOVEC has 34 participants consisting of 30 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2004, the School District paid \$45,423 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

***B. Washington County Career Center***

The Washington 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 six participating school districts' elected boards and one representative from the Washington County Educational Service Center's board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Mary Bee, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service training programs for school district administrative personnel; gathering of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2004.

***D. South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)***

SEOSERRC is a special education regional resource center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, and representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2004, the School District paid \$4,725 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.



**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 18 - Insurance Purchasing Pool**

***Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

***B. Litigation***

The School District is currently not a party to any legal proceedings.

**Note 20 – Set-Asides**

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

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

**Belpre City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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	Budget Stabilization	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2003	\$299,082	(\$341,400)	\$64,286
Current Year Set-aside Requirement	0	177,931	177,931
Qualifying Disbursements	0	(488,915)	(128,111)
Total	\$299,082	(\$652,384)	\$114,106
Set-aside Balance Carried Forward to Future Fiscal Years	\$299,082	(\$341,400)	\$114,106

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero. Some of this extra amount may be used to reduce the set-aside requirement in future fiscal years.

**Note 21 – State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**Note 22 – Subsequent Event**

On February 8, 2005, the voters of the School District renewed an Emergency Levy that expired on December 31, 2004.

**BELPRE CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 12,500	\$	\$ 12,500
School Breakfast Program	10.553	05PU-2003	5,376		5,376	
		05PU-2004	28,769		28,769	
Total School Breakfast Program			34,145	0	34,145	0
National School Lunch Program	10.555	LLP4-2003	17,281		17,281	
		LLP4-2004	92,325		92,325	
Total National School Lunch Program			109,606	0	109,606	0
Total Nutrition Cluster			143,751	12,500	143,751	12,500
Total United States Department of Agriculture			143,751	12,500	143,751	12,500
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2003	40,165		56,750	
		C1S1-2004	385,309		349,707	
Total Title I Grants to Local Educational Agencies			425,474	0	406,457	0
Special Education - Grants to States	84.027	6BSF-2003P	24,816		28,620	
		6BSF-2004P	150,698		132,690	
Total Special Education - Grants to States			175,514	0	161,310	0
Safe and Drug-Free Schools and Communities - National Program	84.184C	T4S1-2003	1,090			
		T4S1-2004P	3,266		3,139	
		T4S1-2004	2,793		2,394	
Total Safe and Drug-Free Schools and Communities - National Program			7,149	0	5,533	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2003	(599)		154	
		DRS1-2004	11,350		11,146	
Total Safe and Drug-Free Schools and Communities - State Grants			10,751	0	11,300	0
State Grants for Innovative Programs	84.298	C2S1-2003	(565)		401	
		C2S1-2004	7,633		7,280	
Total State Grants for Innovative Programs			7,068	0	7,681	0
Education Technology State Grants	84.318	TJS1-2003	(1,133)		163	
		TJS1-2004	11,513		9,416	
Total Education Technology State Grants			10,380	0	9,579	0
Improving Teacher Quality State Grants	84.367	TRS1-2003	9,064		13,303	0
		TRS1-2004	82,393		81,148	0
Total Improving Teacher Quality State Grants			91,457	0	94,451	0
Total United States Department of Education			727,793	0	696,311	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 871,544</b>	<b>\$ 12,500</b>	<b>\$ 840,062</b>	<b>\$ 12,500</b>

*The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**BELPRE CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary 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.

**NOTE C – TRANSFERS AND REFUNDS**

During fiscal year 2004, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. Also during fiscal year 2004, the School District refunded to ODE unused grant monies. Refunds to ODE are shown as a reduction of federal revenue in the accompanying Schedule. A detailed listing of the carryovers and refunds are as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In	Refund
84.010	Title I Grants to Local Educational Agencies	C1S1-2003	\$ 6,331		
84.010	Title I Grants to Local Educational Agencies	C1S1-2004		\$ 6,331	
84.184C	Safe and Drug Free Schools and Communities - National Program	T4S1-2003			\$ 1,085
84.186	Safe and Drug-Free Schools and Communities - State Grants	DRS1-2003	599		
84.186	Safe and Drug-Free Schools and Communities - State Grants	DRS1-2004		599	
84.298	State Grants for Innovative Programs	C2S1-2003	565		
84.298	State Grants for Innovative Programs	C2S1-2004		565	
84.318	Education Technology - State Grants	TJS1-2003	1,133		
84.318	Education Technology - State Grants	TJS1-2004		1,133	
		Totals	\$ 8,628	\$ 8,628	\$ 1,085



**Auditor of State  
Betty Montgomery**

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

Belpre City School District  
Washington County  
2014 Washington Boulevard  
Belpre, Ohio 45714

To the Board of Education:

We have audited the financial statements of the governmental activities business-type activities, each major fund, and the aggregate remaining fund information of the Belpre City School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2005, wherein we noted the School District adopted Governmental Accounting Standards Board Statements 34, 37, 38, 39, and 41 and Interpretation 6. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statement we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the School District's management dated March 11, 2005, we reported other matters involving internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
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Belpre City School District  
Washington County  
Independent Accountants' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

March 11, 2005



## Auditor of State Betty Montgomery

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

Belpre City School District  
Washington County  
2014 Washington Boulevard  
Belpre, Ohio 45714

To the Board of Education:

#### Compliance

We have audited the compliance of the Belpre City School District, Washington County, Ohio (the School 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 its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. In a separate letter to the School District's management dated March 11, 2005, we reported an other matter related to noncompliance we deemed immaterial.

#### Internal Control over Compliance

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

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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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

We intend this reports solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 11, 2005



**BELPRE CITY SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2004**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**BELPRE CITY SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**