



**Auditor of State
Betty Montgomery**

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Bridgeport Exempted Village School District
Belmont County
501 Bennett Street
Bridgeport, Ohio 43912

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgeport Exempted Village School District, Belmont 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bridgeport Exempted Village School District, Belmont County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof 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 Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and as described in Note 2H, the School District changed its capitalization criteria for capital assets from \$500 to \$2,000.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 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 whole.



Betty Montgomery
Auditor of State

May 4, 2005

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The management's discussion and analysis of the Bridgeport Exempted Village School District's (the School District) 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 financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$14,937,754 which represents a 1,560.95% increase from 2003.
- General revenues accounted for \$20,355,767 in revenue or 92.58% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,631,131 or 7.42% of total revenues of \$21,986,898.
- The School District had \$7,049,144 in expenses related to governmental activities; \$1,631,131 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,355,767 were adequate to provide for these programs.
- The School District's major governmental funds are the General Fund and Building Fund. The General Fund had \$5,437,934 in revenues and \$5,690,067 in expenditures and other financing uses. During fiscal year 2004, the General Fund's fund balance decreased \$252,133 from \$463,314 to \$211,181.
- The Building Fund had no revenues or expenditures. During fiscal year 2004, the Building Fund was set up to account for \$14,968,216 in Ohio Schools Facilities Construction grants the School District is scheduled to receive.

Using the Annual 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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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 nonmajor funds presented in total in one column. In the case of the School District, the General Fund and Building Fund are by far the most significant funds, and the only governmental funds reported as major funds.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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 Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The School District's Statement of Net Assets and Statement of Activities can be found on pages 13-14 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Building 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 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for dental self-insurance. The proprietary fund financial statements can be found on pages 20-22 of this report.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the financial statements can be found on pages 25-55 of this report.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the School District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 18,110,237
Capital assets	<u>616,610</u>
Total assets	<u>18,726,847</u>
<u>Liabilities</u>	
Current liabilities	2,277,571
Long-term liabilities	<u>554,555</u>
Total liabilities	<u>2,832,126</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	584,153
Restricted	15,264,771
Unrestricted	<u>45,797</u>
Total net assets	<u>\$ 15,894,721</u>

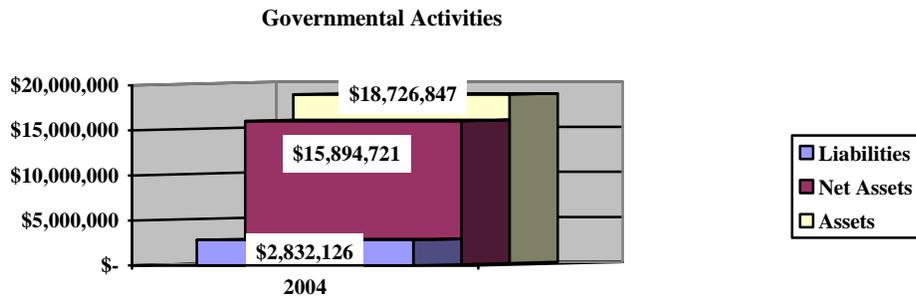
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the School District's assets exceeded liabilities by \$15,894,721. Of this total, \$45,797 is unrestricted in use.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

At year-end, capital assets represented 3.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and library books. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$584,153. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$15,264,771, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$45,797 may be used to meet the School District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the School District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 348,412
Operating grants and contributions	1,268,144
Capital grants and contributions	14,575
General revenues:	
Property taxes	1,656,561
Grants and entitlements	3,689,761
Grants restricted for Ohio Schools	
Facilities Construction	14,968,216
Investment earnings	9,734
Other	<u>31,495</u>
Total revenues	<u><u>21,986,898</u></u>

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 3,183,530
Special	969,289
Vocational	172,700
Other	51,775
Support services:	
Pupil	241,937
Instructional staff	255,772
Board of education	21,161
Administration	510,370
Fiscal	250,570
Business	6,089
Operations and maintenance	613,927
Pupil transportation	252,793
Central	12,430
Food service operations	275,172
Operations of non-instructional services	62,241
Extracurricular activities	103,695
Intergovernmental pass-through	61,887
Interest and fiscal charges	<u>3,806</u>
Total expenses	<u>7,049,144</u>
Change in net assets	14,937,754
Net assets at beginning of year (restated)	<u>956,967</u>
Net assets at end of year	<u><u>\$ 15,894,721</u></u>

Governmental Activities

Net assets of the School District's governmental activities increased \$14,937,754. Total governmental expenses of \$7,049,144 were offset by program revenues of \$1,631,131 and general revenues of \$20,355,767. Program revenues supported 23.14% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 92.39% of total governmental revenue.

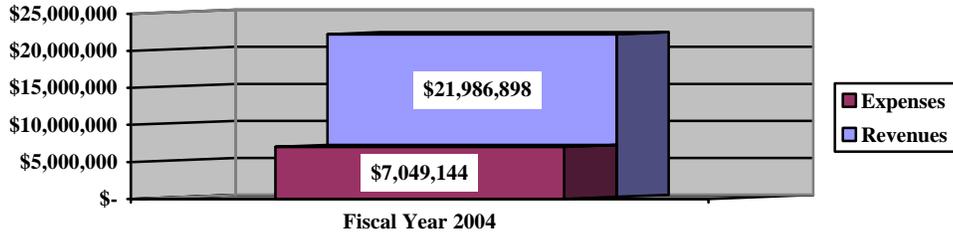
The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,377,294 or 62.10% of total governmental expenses for fiscal 2004.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The graph below presents the School District's governmental activities revenue and expenses for fiscal year 2004.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

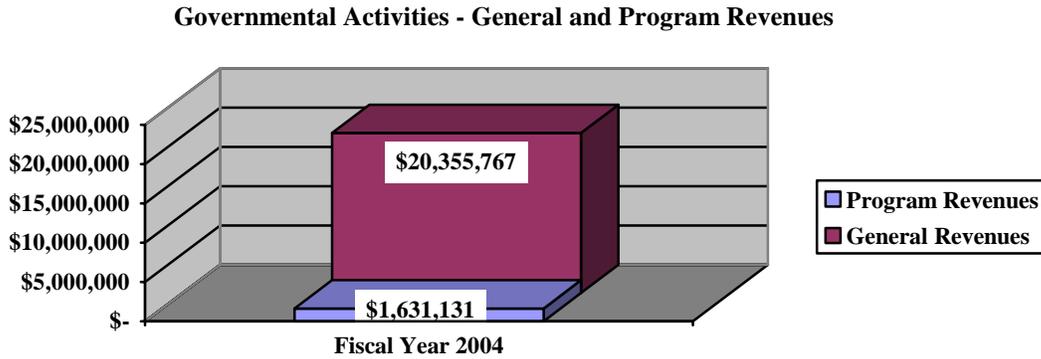
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 3,183,530	\$ 2,594,117
Special	969,289	514,886
Vocational	172,700	171,820
Other	51,775	51,775
Support services:		
Pupil	241,937	236,751
Instructional staff	255,772	147,345
Board of education	21,161	21,161
Administration	510,370	504,380
Fiscal	250,570	248,040
Business	6,089	3,036
Operations and maintenance	613,927	597,063
Pupil transportation	252,793	247,369
Central	12,430	5,307
Food service operations	275,172	(12,824)
Operations of non-instructional services	62,241	(34,837)
Extracurricular activities	103,695	56,931
Intergovernmental pass-through	61,887	61,887
Interest and fiscal charges	3,806	3,806
Total expenses	\$ 7,049,144	\$ 5,418,013

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.86%. The School District's taxpayers, as a whole, are by far the primary support for School District's students.

The graph below presents the School District's governmental activities revenue for fiscal year 2004.



The School District's Funds

The School District's governmental funds reported a combined fund balance of \$471,141, which is lower than last year's total of \$660,376. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$ 211,181	\$ 463,314	\$ (252,133)	(54.42) %
Other Governmental	<u>259,960</u>	<u>197,062</u>	<u>62,898</u>	31.92 %
Total	<u>\$ 471,141</u>	<u>\$ 660,376</u>	<u>\$ (189,235)</u>	(28.66) %

General Fund

The School District's General Fund balance decreased \$252,133 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the financial statements). The decrease in fund balance can be attributed to several items related to expenditures increasing faster than revenues. Expenditures exceed revenues for fiscal year 2004 by \$246,616. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	2004 <u>Amount</u>	2003 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 1,522,584	\$ 1,503,054	\$ 19,530	1.30 %
Tuition	200,036	205,579	(5,543)	(2.70) %
Earnings on investments	8,813	7,412	1,401	18.90 %
Intergovernmental	3,674,743	3,515,519	159,224	4.53 %
Other revenues	<u>31,758</u>	<u>47,867</u>	<u>(16,109)</u>	(33.65) %
Total	<u>\$ 5,437,934</u>	<u>\$ 5,279,431</u>	<u>\$ 158,503</u>	3.00 %
<u>Expenditures</u>				
Instruction	\$ 3,623,819	\$ 3,297,318	\$ 326,501	9.90 %
Support services	1,964,970	1,916,675	48,295	2.52 %
Extracurricular activities	67,212	67,591	(379)	(0.56) %
Facilities acquisition and construction	8,604	-	8,604	100.00 %
Capital outlay	-	11,505	(11,505)	(100.00) %
Debt service	<u>19,945</u>	<u>23,180</u>	<u>(3,235)</u>	(13.96) %
Total	<u>\$ 5,684,550</u>	<u>\$ 5,316,269</u>	<u>\$ 368,281</u>	6.93 %

Building Fund

The Building Fund had no revenues or expenditures. During fiscal year 2004, the Building Fund was set up to account for the Ohio Schools Facilities Construction grants the School District is scheduled to receive.

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 several times. For the General Fund, original and final budgeted revenues and other financing sources were \$5,315,550. Actual revenues and other financing sources for fiscal 2004 was \$5,445,323. This represents a \$129,773 increase over original budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$6,049,523 were increased to \$6,054,523 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$5,762,211, which was \$292,312 less than the final budget appropriations.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the School District had \$616,610 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and library books. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 43,169	\$ 43,169
Land improvements	18,848	24,160
Building and improvements	94,412	117,044
Furniture and equipment	318,433	263,760
Vehicles	141,748	175,438
Library books	-	-
Total	\$ 616,610	\$ 623,571

The overall decrease in capital assets of \$6,961 is due to depreciation expense of \$110,454 exceeding capital outlays of \$103,493 in the fiscal year.

See Note 8 to the financial statements for additional information on the School District's capital assets.

Debt Administration

At June 30, 2004, the School District had \$32,457 in capital lease obligations outstanding. Of this total, \$17,794 is due within one year and \$14,663 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2004	2003
Capital lease obligations	\$ 32,457	\$ 49,095
Total	\$ 32,457	\$ 49,095

See Note 10 to the financial statements for additional information on the School District's debt administration.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Current Financial Related Activities

The vision of the School District, in recognizing that it takes a community to raise a child, is to develop a collaboration with parents, school and community that will help students achieve their fullest potential.

The Board of Education and Administration work diligently and prudently to plan and provide the resources and instruction needed to provide an honorable education for the students of our School District.

The School District is embarking on very exciting times. In June of 2003, the School District approved a resolution to participate in the Ohio School Facilities Commission Classroom Facilities Assistance Program. The School District was approved to build a new Prek-12 building with a budget of \$19,983,257, with the state contributing 15,986,257, eighty percent of the cost, and the School District contributing 3,997,000, twenty percent of the cost. In March 2004, 57% of the community voted to approve a 5.67 mill Bond issue. The Bond issue consisted of three separate issues: 3.71 mills for local share of the Ohio School Facilities Program, 1.86 mills for the acquisition of the site, and .1 mills for an LFI to renovate space for administrative offices and construction of a bus garage.

The School District is also facing future challenges in the area of state funding. The State of Ohio was found by the Ohio Supreme Court in March of 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. At this time, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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 questions about this report or need additional financial information contact Ms. Amy Porter, Bridgeport Exempted Village School District, 501 Bennett Street, Bridgeport, Ohio 43912.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,060,964
Cash with fiscal agent.	107,273
Receivables:	
Taxes	1,785,407
Accounts	503
Intergovernmental	15,111,033
Prepayments	27,594
Materials and supplies inventory	17,463
Capital assets:	
Land	43,169
Depreciable capital assets, net	573,441
Capital assets, net.	<u>616,610</u>
 Total assets.	 <u>18,726,847</u>
Liabilities:	
Accounts payable.	30,633
Accrued wages and benefits	661,272
Pension obligation payable.	153,015
Intergovernmental payable	22,590
Deferred revenue	1,407,084
Claims payable	2,977
Long-term liabilities:	
Due within one year.	62,591
Due within more than one year	491,964
Total liabilities	<u>2,832,126</u>
Net Assets:	
Invested in capital assets, net of related debt.	584,153
Restricted for:	
Capital projects	15,217,433
Other purposes	47,338
Unrestricted.	<u>45,797</u>
Total net assets	<u><u>\$ 15,894,721</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					Governmental Activities
Instruction:					
Regular	\$ 3,183,530	\$ 205,535	\$ 369,303	\$ 14,575	\$ (2,594,117)
Special	969,289	-	454,403	-	(514,886)
Vocational	172,700	-	880	-	(171,820)
Other	51,775	-	-	-	(51,775)
Support services:					
Pupil	241,937	-	5,186	-	(236,751)
Instructional staff	255,772	-	108,427	-	(147,345)
Board of education	21,161	-	-	-	(21,161)
Administration	510,370	-	5,990	-	(504,380)
Fiscal	250,570	-	2,530	-	(248,040)
Business	6,089	-	3,053	-	(3,036)
Operations and maintenance	613,927	-	16,864	-	(597,063)
Pupil transportation	252,793	1,092	4,332	-	(247,369)
Central	12,430	-	7,123	-	(5,307)
Operation of non-instructional services:					
Food service operations	275,172	95,091	192,905	-	12,824
Other non-instructional services	62,241	-	97,078	-	34,837
Extracurricular activities	103,695	46,694	70	-	(56,931)
Intergovernmental pass-through	61,887	-	-	-	(61,887)
Interest and fiscal charges	3,806	-	-	-	(3,806)
Total governmental activities	\$ 7,049,144	\$ 348,412	\$ 1,268,144	\$ 14,575	(5,418,013)

General Revenues:

Property taxes levied for:	
General purposes	1,568,105
Special revenue	18,321
Debt service	70,135
Grants and entitlements not restricted to specific programs	3,689,761
Grants restricted for Ohio Schools Facilities Construction	14,968,216
Investment earnings	9,734
Miscellaneous	31,495
Total general revenues	20,355,767
Change in net assets	14,937,754
Net assets at beginning of year (restated)	956,967
Net assets at end of year	\$ 15,894,721

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 662,435	\$ -	\$ 364,636	\$ 1,027,071
Receivables:				
Taxes	1,698,219	-	87,188	1,785,407
Accounts	432	-	71	503
Intergovernmental	65	14,968,216	142,752	15,111,033
Interfund receivable	19,965	-	-	19,965
Prepayments	27,594	-	-	27,594
Materials and supplies inventory	10,054	-	7,409	17,463
Restricted assets:				
Equity in pooled cash and cash equivalents	33,893	-	-	33,893
Total assets	<u>\$ 2,452,657</u>	<u>\$ 14,968,216</u>	<u>\$ 602,056</u>	<u>\$ 18,022,929</u>
Liabilities:				
Accounts payable	\$ 7,573	\$ -	\$ 23,060	\$ 30,633
Accrued wages and benefits	529,487	-	131,785	661,272
Pension obligation payable.	83,238	-	18,610	101,848
Intergovernmental payable.	18,188	-	4,402	22,590
Interfund payable.	-	-	19,965	19,965
Deferred revenue.	1,602,990	14,968,216	144,274	16,715,480
Total liabilities	<u>2,241,476</u>	<u>14,968,216</u>	<u>342,096</u>	<u>17,551,788</u>
Fund Balances:				
Reserved for encumbrances	80,692	-	28,169	108,861
Reserved for materials and supplies inventory.	10,054	-	7,409	17,463
Reserved for prepayments	27,594	-	-	27,594
Reserved for property tax unavailable for appropriation	95,229	-	5,687	100,916
Reserved for BWC refunds.	26,895	-	-	26,895
Reserved for school bus purchases	6,998	-	-	6,998
Unreserved, undesignated (deficit), reported in:				
General fund	(36,281)	-	-	(36,281)
Special revenue funds.	-	-	(9,647)	(9,647)
Capital projects funds.	-	-	228,342	228,342
Total fund balances	<u>211,181</u>	<u>-</u>	<u>259,960</u>	<u>471,141</u>
Total liabilities and fund balances	<u>\$ 2,452,657</u>	<u>\$ 14,968,216</u>	<u>\$ 602,056</u>	<u>\$ 18,022,929</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	471,141
<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.			616,610
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	277,407	
Intergovernmental revenue		15,030,989	
Total			15,308,396
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			104,296
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(522,098)	
Pension obligation payable		(51,167)	
Capital lease obligation		(32,457)	
Total			(605,722)
Net assets of governmental activities		\$	15,894,721

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, 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
Revenues:			
From local sources:			
Taxes	\$ 1,522,584	\$ 86,315	\$ 1,608,899
Tuition	200,036	-	200,036
Transportation fees	1,092	-	1,092
Charges for services	-	95,091	95,091
Earnings on investments	8,813	130	8,943
Extracurricular	-	50,548	50,548
Other local revenues	30,666	2,474	33,140
Intergovernmental - State	3,594,960	466,168	4,061,128
Intergovernmental - Federal	79,783	843,191	922,974
Total revenue	5,437,934	1,543,917	6,981,851
Expenditures:			
Current:			
Instruction:			
Regular	2,898,088	342,175	3,240,263
Special	475,522	507,007	982,529
Vocational	198,434	782	199,216
Other	51,775	-	51,775
Support services:			
Pupil	264,864	4,308	269,172
Instructional staff	156,309	94,572	250,881
Board of education	21,169	-	21,169
Administration	496,794	5,967	502,761
Fiscal	241,166	8,684	249,850
Business	148	6,375	6,523
Operations and maintenance	567,449	34,440	601,889
Pupil transportation	213,985	4,807	218,792
Central	3,086	9,344	12,430
Food service operations	-	280,433	280,433
Other non-instructional services	-	61,648	61,648
Extracurricular activities	67,212	38,382	105,594
Facilities acquisition and construction	8,604	5,226	13,830
Intergovernmental pass through	-	61,887	61,887
Debt service:			
Principal retirement	16,638	20,000	36,638
Interest and fiscal charges	3,307	499	3,806
Total expenditures	5,684,550	1,486,536	7,171,086
Excess of revenues over/(under) expenditures	(246,616)	57,381	(189,235)
Other financing sources (uses):			
Transfers in	-	5,517	5,517
Transfers (out)	(5,517)	-	(5,517)
Total other financing sources (uses)	(5,517)	5,517	-
Net change in fund balances	(252,133)	62,898	(189,235)
Fund balances at beginning of year (restated)	463,314	197,062	660,376
Fund balances at end of year	\$ 211,181	\$ 259,960	\$ 471,141

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, 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

Net change in fund balances - total governmental funds	\$	(189,235)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$110,454) exceeds capital outlays (\$103,493) in the current period.		(6,961)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		15,004,256
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		36,638
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		79,006
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		14,050
Change in net assets of governmental activities	\$	14,937,754

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 1,510,000	\$ 1,510,000	\$ 1,511,836	\$ 1,836
Tuition.	210,000	210,000	200,036	(9,964)
Transportation fees.	8,000	8,000	1,092	(6,908)
Earnings on investments.	20,000	20,000	8,813	(11,187)
Other local revenues	10,000	10,000	30,234	20,234
Intergovernmental - State	3,444,000	3,444,000	3,539,387	95,387
Intergovernmental - Federal.	40,000	40,000	80,165	40,165
Total revenue	<u>5,242,000</u>	<u>5,242,000</u>	<u>5,371,563</u>	<u>129,563</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,883,512	2,885,894	2,872,479	13,415
Special.	500,152	500,565	490,519	10,046
Vocational.	228,620	228,809	206,239	22,570
Other.	59,950	60,000	51,775	8,225
Support services:				
Pupil.	281,116	281,348	261,854	19,494
Instructional staff	176,047	176,193	152,604	23,589
Board of education	25,344	25,365	24,439	926
Administration.	534,074	534,515	499,561	34,954
Fiscal	246,227	246,431	240,934	5,497
Operations and maintenance.	655,989	656,531	621,062	35,469
Pupil transportation	296,918	297,163	221,958	75,205
Central.	19,983	20,000	3,086	16,914
Extracurricular activities.	86,038	86,109	67,261	18,848
Facilities acquisition and construction.	29,975	30,000	22,958	7,042
Total expenditures	<u>6,023,945</u>	<u>6,028,923</u>	<u>5,736,729</u>	<u>292,194</u>
Excess of revenues over/(under) expenditures.	<u>(781,945)</u>	<u>(786,923)</u>	<u>(365,166)</u>	<u>421,757</u>
Other financing sources (uses):				
Refund of prior year expenditure.	-	-	210	210
Transfers (out)	(5,595)	(5,600)	(5,517)	83
Advances in.	73,550	73,550	73,550	-
Advances (out)	(19,983)	(20,000)	(19,965)	35
Total other financing sources (uses)	<u>47,972</u>	<u>47,950</u>	<u>48,278</u>	<u>328</u>
Net change in fund balance	(733,973)	(738,973)	(316,888)	422,085
Fund balance at beginning of year.	805,972	805,972	805,972	-
Prior year encumbrances appropriated	119,523	119,523	119,523	-
Fund balance at end of year	<u>\$ 191,522</u>	<u>\$ 186,522</u>	<u>\$ 608,607</u>	<u>\$ 422,085</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 107,273
Total assets	107,273
Liabilities:	
Current liabilities:	
Claims payable	2,977
Total liabilities	2,977
Net assets:	
Unrestricted.	104,296
Total net assets	\$ 104,296

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 301,762
Other	820
Total operating revenues.	302,582
 Operating expenses:	
Personal services	52
Purchased services	9,849
Claims	279,480
Total operating expenses.	289,381
 Operating income	13,201
 Nonoperating revenues:	
Interest revenue	849
Total nonoperating revenues.	849
 Change in net assets	14,050
 Net assets at beginning of year	90,246
Net assets at end of year.	\$ 104,296

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 301,762
Cash received from other operations	820
Cash payments for personal services	(52)
Cash payments for purchased services	(9,849)
Cash payments for claims	(288,331)
	4,350
Net cash provided by operating activities	4,350
Cash flows from investing activities:	
Interest received	849
	849
Net cash provided by investing activities	849
Net increase in cash and cash equivalents	5,199
Cash and cash equivalents at beginning of year . . .	102,074
Cash and cash equivalents at end of year	\$ 107,273
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,201
Changes in assets and liabilities:	
Decrease in claims payable	(8,851)
	(8,851)
Net cash provided by operating activities	\$ 4,350

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 202,267	\$ 28,111
Total assets.	<u>202,267</u>	<u>28,111</u>
Liabilities:		
Accounts payable.	-	\$ 206
Due to students	<u>-</u>	<u>27,905</u>
Total liabilities	<u>-</u>	<u>28,111</u>
Net Assets:		
Held in trust for scholarships	<u>202,267</u>	
Total net assets	<u>\$ 202,267</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Interest	\$	1,481
Gifts and contributions.		<u>9,080</u>
Total additions.		<u>10,561</u>
Deductions:		
Scholarships awarded		<u>11,889</u>
Change in net assets		(1,328)
Net assets at beginning of year		<u>203,595</u>
Net assets at end of year	\$	<u><u>202,267</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1856 through the consolidation of existing land areas and school districts. The School District currently ranks as the 552nd largest in terms of total enrollment among the 613 public school districts in the State of Ohio. The School District is staffed by 38 non-certificated employees and 72 certificated full-time teaching personnel who provide services to 808 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The School District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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 the School District, this includes general operations, foods service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' government 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. Based upon the application of this criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government). The following organizations are described due to their relationship to the School District:

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Belmont Harrison Vocational School (Vocational School)

The Vocational School is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Vocational School's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Vocational School's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The School District's students may attend the Vocational School. Each participating school district's control is limited to its representation on the Vocational School's Board of Education.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

East Central Ohio Special Education Regional Resource Center (ECO-SERRC)

ECO-SERRC is a special education service 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.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The ECO-SERRC is governed by a board composed of superintendents of member school districts in East Central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO-SERRC. ECO SERRC is not financially dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO-SERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the Plan. Refer to Note 13 for further information on this group rating plan.

Ohio School Plan

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: 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 following are the School District's major Governmental Funds:

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund - This fund is used to account for transactions associated with building construction and improvements.

Other governmental funds of the School District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The School District has no enterprise funds. The following is a description of the School District's Internal Service Fund:

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District or to other governments, on a cost-reimbursement basis. The only Internal Service Fund of the School District accounts for a self-insurance program which provides dental benefits to employees.

FIDUCIARY FUNDS

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. The School District's only Trust Fund is a private-purpose trust which accounts for scholarship programs for students. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's Agency Fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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. Internal Service Fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the School District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District.

The government-wide basic financial statements are prepared using the 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.

Fund Financial Statements - Fund basic financial statements report detailed information about the School District. The focus of governmental fund basic financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The Internal Service Fund is presented in a single column on the face of the Proprietary Fund statements. Fiduciary Funds are reported by fund type.

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

Like the government-wide statements, the Internal Service 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 fund 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.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the School District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide basic financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, student fees and rentals.

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level for the General, Debt Service and Permanent Improvement Capital Projects Funds and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

TAX BUDGET

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing tax rates.

By no later than January 20, the Board-adopted budget is filed with the Belmont County Budget Commission for rate determination.

ESTIMATED RESOURCES

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2004.

APPROPRIATIONS

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures, for all funds except the General, Debt Service and Permanent Improvement capital projects funds which are enacted at the fund, function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Although the legal level of budgetary control was established at the fund level of expenditures for all funds except the General, Debt Service and Permanent Improvement Capital Projects Funds, the School District has elected to present budgetary statements comparisons at the fund and function level of expenditures for the General Fund. Any revisions that alter the total of any fund appropriation for all funds other than the General, Debt Service and the Permanent Improvement Capital Projects Funds, or alter total function appropriations within a fund, or alter object appropriations within functions for the

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FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General, Debt Service and the Permanent Improvement Capital Projects Funds, must be approved by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. Supplemental appropriations were legally enacted by the Board during fiscal 2004.

The budget figures which appear in the statement of budgetary comparison represents the final appropriation amounts that were approved by the Board prior to July 1, 2004. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

LAPSING OF APPROPRIATIONS

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

F. Cash and Investments

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

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund, the Auxiliary Services special revenue fund, and the private-purpose trust funds. The Food Service Fund receives interest earnings based upon Federal mandate and the Self-Insurance internal service fund receives interest earnings as the amount is held by a fiscal agent in an interest bearing account separate from the School District's internal investment pool. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$8,813, which includes \$2,684 assigned from other School District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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 in the fund basic financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District increased its capitalization threshold from \$500 to \$2,000 during fiscal 2004. 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. The School District does not possess infrastructure.

All reported capital assets except land 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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land Improvements	25 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	8 - 20 years
Vehicles	10 years
Library Books	7 years

I. Interfund Balances

On fund basic financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

Compensated absences of the School District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the School District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund basic financial statements compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund basic 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 basic financial statements only to the extent that they are due for payment during the current year. Notes and capital leases are recognized as a liability on the fund basic financial statements when due.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, bureau of workers' compensation (BWC) refunds and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. 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 the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund basic financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 18.

R. 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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

S. 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. Neither type of transaction occurred during fiscal year 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

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 Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Basic

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 34 creates new basic financial statements for reporting 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.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, 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 comparison for the general and each major special revenue fund.

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.

The government-wide basic financial statements show the School District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the School District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the School District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 452,341	\$ 180,828	\$ 633,169
Fund reclassifications	-	16,136	16,136
Implementation of GASB Interpretation No. 6	<u>10,973</u>	<u>98</u>	<u>11,071</u>
Restated fund balance, June 30, 2003	<u>\$ 463,314</u>	<u>\$ 197,062</u>	<u>\$ 660,376</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 660,376
GASB 34 adjustments:	
Long-term (deferred) assets	304,140
Capital assets	623,571
Pension obligation	(50,691)
Long-term liabilities	(670,675)
Internal Service Fund	<u>90,246</u>
Governmental activities net assets, June 30, 2003	<u>\$ 956,967</u>

B. Deficit Fund Balances

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

<u>Nonmajor Funds</u>	<u>Deficit</u>
EMIS	\$ 198
Title VI-B	\$ 19,837

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Statutes require the classification of 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 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 accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasury Asset Reserve of Ohio (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

8. Under limited circumstances, corporate debt instrument 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Fiscal Agent: The School District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$107,273.

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

Deposits: At year-end, the carrying amount of the School District's deposits was \$381,638 and the bank balance was \$423,911. Of the bank balance:

1. \$303,287 was covered by federal deposit insurance; and
2. \$120,624 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by Federal Deposit Insurance Corporation.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The School District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the School District. Category 2 includes uninsured and unregistered investments for which the securities 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, but not in the School District's name. Investments in STAROhio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$ 375,000	\$ 375,000	\$ 375,000
Federal agency securities	<u>100,000</u>	100,000	100,000
	<u>\$ 475,000</u>		
Investment in STAROhio		<u>434,704</u>	<u>434,704</u>
Total investments		<u>\$ 909,704</u>	<u>\$ 909,704</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,398,615	\$ -
Investments of the cash management pool:		
Repurchase agreement	(375,000)	375,000
Investments in STAROhio	(434,704)	434,704
Federal agency securities	(100,000)	100,000
Cash with fiscal agent	<u>(107,273)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 381,638</u>	<u>\$ 909,704</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 19,965

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between Governmental Funds are eliminated on the government-wide basic financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund basic financial statements:

Transfers to Nonmajor Governmental Funds from:	
General Fund	\$ 5,517

NOTE 6 - 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 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, 2004, 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. 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 Belmont 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 tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2004 was \$95,229 in the General Fund and \$5,687 in the Permanent Improvement Fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$86,660 in the General Fund and \$5,216 in the Permanent Improvement Fund.

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 has been deferred.

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 54,918,620	82.32	\$ 58,726,750	84.90
Public utility personal	5,241,400	7.86	5,103,210	7.38
Tangible personal property	<u>6,546,450</u>	<u>9.82</u>	<u>5,342,250</u>	<u>7.72</u>
Total	<u>\$ 66,706,470</u>	<u>100.00</u>	<u>\$ 69,172,210</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.40		\$ 39.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 1,785,407
Accounts	503
Intergovernmental	<u>15,111,033</u>
Total	<u>\$ 16,896,943</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to the reclassification of funds from proprietary to governmental, the depreciation of capital assets in accordance with GASB Statement No. 34, a change in the capitalization threshold (See Note 2.H. for detail), and errors and omissions reported in prior years.

	<u>Balance</u> <u>6/30/03</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 43,169	\$ -	\$ 43,169
Total capital assets, not being depreciated	<u>43,169</u>	<u>-</u>	<u>43,169</u>
Capital assets, being depreciated:			
Land Improvements	234,778	(2,192)	232,586
Buildings and Improvements	1,812,992	(1,233)	1,811,759
Furniture and Equipment	1,103,161	(342,535)	760,626
Vehicles	618,269	(501)	617,768
Library Books	113,510	-	113,510
Total capital assets, being depreciated	<u>3,882,710</u>	<u>(346,461)</u>	<u>3,536,249</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(2,955,847)</u>	<u>(2,955,847)</u>
Governmental activities capital assets, net	<u>\$ 3,925,879</u>	<u>\$ (3,302,308)</u>	<u>\$ 623,571</u>

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

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

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 43,169	\$ -	\$ -	\$ 43,169
Total Capital Assets, Not Being Depreciated	<u>43,169</u>	<u>-</u>	<u>-</u>	<u>43,169</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	232,586	-	-	232,586
Buildings and Improvements	1,811,759	-	-	1,811,759
Furniture and Equipment	760,626	103,493	(165,718)	698,401
Vehicles	617,768	-	-	617,768
Library Books	113,510	-	-	113,510
Total Capital Assets, Being Depreciated	<u>3,536,249</u>	<u>103,493</u>	<u>(165,718)</u>	<u>3,474,024</u>
<i>Less: accumulated depreciation</i>				
Land Improvements	(208,426)	(5,312)	-	(213,738)
Buildings and Improvements	(1,694,715)	(22,632)	-	(1,717,347)
Furniture and Equipment	(496,866)	(48,820)	165,718	(379,968)
Vehicles	(442,330)	(33,690)	-	(476,020)
Library Books	(113,510)	-	-	(113,510)
Total Accumulated Depreciation	<u>(2,955,847)</u>	<u>(110,454)</u>	<u>165,718</u>	<u>(2,900,583)</u>
Governmental Activities Capital Assets, Net	<u>\$ 623,571</u>	<u>\$ (6,961)</u>	<u>\$ -</u>	<u>\$ 616,610</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 58,921
Special	2,026
Vocational	161

Support Services:

Pupil	520
Instructional Staff	2,438
Administration	3,358
Operations and Maintenance	1,701
Pupil Transportation	33,690
Operation of Other Non-Instructional Services	542
Food Service Operations	2,667
Extracurricular Activities	<u>4,430</u>

Total Depreciation Expense \$ 110,454

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the School District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$109,958. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide basic financial statements. Principal payments in fiscal year 2004 totaled \$16,638 paid by the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 19,176
2006	9,172
2007	5,423
2008	<u>652</u>
Total minimum lease payments	34,423
Less amount representing interest	<u>(1,966)</u>
Total	<u>\$ 32,457</u>

NOTE 10 - LONG-TERM OBLIGATIONS

The balance of the School District's long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$580,998 to \$601,580 due to the implementation of GASB Interpretation No. 6 described in Note 3. In addition, pension obligations of \$36,680 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported as part of intergovernmental payables on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$16,098 from \$686,773 to \$670,675. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Energy conservation notes	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
Capital lease obligation	49,095	-	(16,638)	32,457	17,794
Compensated absences	<u>601,580</u>	<u>31,663</u>	<u>(111,145)</u>	<u>522,098</u>	<u>44,797</u>
Total long-term obligations, governmental activities	<u>\$ 670,675</u>	<u>\$ 31,663</u>	<u>\$ (147,783)</u>	<u>\$ 554,555</u>	<u>\$ 62,591</u>

During fiscal year 1994, the School District issued \$160,000 in energy conservation notes to provide for energy improvements to various School District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements. These notes bear an interest rate of 5.0% and matured on November 15, 2003.

The capital leases will be paid from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$6,225,499 and an unvoted debt margin of \$69,172.

NOTE 11 - EMERGENCY SCHOOL LOAN PAYABLE

The following activity occurred with the emergency school loan payable during fiscal year 2004:

	Date <u>Issued</u>	Intrest <u>Rate</u>	Balance <u>6/30/03</u>	<u>Retired</u>	Balance <u>6/30/04</u>
Emergency School Loan	11/01/96	6.00%	<u>\$ 59,279</u>	<u>\$ (59,279)</u>	<u>\$ -</u>

The emergency school loan is a liability of the General Fund, the fund which received the proceeds. Payments of principal and interest totaling \$11,935 are deducted monthly from the School District's foundation entitlement. The final scheduled payment on this loan was January 1, 2004.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 5 to 15 days of vacation per year, depending upon length of service. The high school principal and superintendent earn 20 days of vacation per year and the treasurer earns 20 days of vacation per year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and the elementary principals 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 fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation for certified and classified employees is 250 days. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 67.5 days for certified and 60.0 days for classified employees. In addition, upon retirement, certified and classified employees are entitled to receive an additional severance payment of \$5.00 for accrued but unused sick leave days not calculated in the severance payment.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Harcum - Hyre Insurance Company for general liability insurance, Westfield Company for property and fleet insurance and Hartford Steam Boiler Inspection and Insurance Company for boiler coverage. Liability coverage is limited to \$3,000,000 per claim and \$5,000,000 in the aggregate, and the boiler insurance carries a limitation of \$7,547,000 in the aggregate with a \$250 deductible. Property insurance carries a limitation of \$15,891,046 in the aggregate with a \$1,000 deductible.

The Perkins athletic facility is exposed to flood risk. During fiscal year 2004, the School District contracted with South Carolina Insurance Company for flood insurance. The limitation on this insurance was \$157,200 for building damage and \$16,300 for contents damage with a \$1,000 deductible for both. The concession stand building and its contents are also covered under a separate policy with limitations of \$21,500 for building and \$2,700 for contents damage with a \$1,000 deductible.

Vehicles are covered by Westfield Insurance Company and hold a \$500 deductible for collision. Automobile liability coverage has a \$1,000,000 limit for collision, a \$1,000,000 limit per accident for bodily injury and a \$3,000 limit for medical payments.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - RISK MANAGEMENT - (Continued)

B. OSBA Group Workers' Compensation Rating Plan

The School District participates in the Ohio Association of School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Medical and Ancillary Insurance

The School District contracts with The Health Plan of the Upper Ohio Valley, Advantage Health, Mountain State Blue Cross/Blue Shield and Health Assurance for hospitalization insurance for all employees. The School District pays up to \$631.00 of the total monthly premiums for family and ancillary coverage and up to \$328.00 for individual and ancillary coverage for all certified employees, and up to \$616.00 of the total monthly premiums for family health coverage and up to \$290.00 for individual health coverage for all classified employees.

D. Dental, Vision and Life Insurance

Dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several school districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$2,977 reported in the internal service fund at June 30, 2004, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
2004	\$ 11,828	\$ 279,480	\$ (288,331)	\$ 2,977
2003	\$ 4,286	\$ 251,613	\$ (244,071)	\$ 11,828

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes basic financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% 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% 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 adequacy of the contribution rates is determined annually. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$101,346, \$98,164, and \$91,181, respectively; 41.25% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$59,544, represents the unpaid contribution for fiscal year 2004.

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 administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available, stand-alone financial report that includes basic financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 5 years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DB Plan into the DC Plan or

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

Plan members are required to contribute 10% 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% 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 years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% 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 to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$426,344, \$400,901, and \$369,733, respectively; 80.77% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$82,000 represents the unpaid contribution for fiscal year 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The School District's liability is 6.20 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

STRS retirees from the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$30,453 for fiscal year 2004.

STRS 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 were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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, a decrease of .92 percent from fiscal year 2003. 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 has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$49,578.

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 annual health care expenses. Gross expenses for health care at 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 receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary 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 the GAAP basis are that:

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (316,888)
Net adjustment for revenue accruals	66,371
Net adjustment for expenditure accruals	(35,542)
Net adjustment for other sources/uses	(53,795)
Adjustment for encumbrances	<u>87,721</u>
GAAP basis	<u>\$ (252,133)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal, state and local 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 School District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District.

B. Litigation

The School District is involved in no material litigation as either plaintiff or defendant.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 17 – CONTINGENCIES – (Continued)

C. 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 plan is unconstitutional.

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

NOTE 18 - STATUTORY RESERVES

The School District is required by state law to set-aside certain General Fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ (88,123)	\$ -	\$ 26,895
Current year set-aside requirement	106,498	106,498	-
Current year offsets	-	(82,541)	-
Qualifying disbursements	<u>(89,106)</u>	<u>(26,846)</u>	<u>-</u>
 Total	 <u>\$ (70,731)</u>	 <u>\$ (2,889)</u>	 <u>\$ 26,895</u>
 Cash balance carried forward to FY 2005	 <u>\$ (70,731)</u>	 <u>\$ -</u>	 <u>\$ 26,895</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the School District also received monies restricted for school bus purchases. The amount of \$6,998 for school bus reserves is in the General Fund on the Balance Sheet at June 30, 2004.

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for budget reserve	\$ 26,895
Amounts restricted for school bus purchases	<u>6,998</u>
 Total restricted assets	 <u>\$ 33,893</u>

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

The School District issued \$4,907,000 in general obligation bond anticipation notes on August 19, 2004. The notes matured on December 17, 2004, with an interest rate of 2.00%.

The School District issued \$4,907,000 in various purpose school improvement bonds on November 9, 2004. The bonds have a scheduled maturity date of December 1, 2031 with an annual interest rate ranging from 2.00% to 4.75%. The proceeds of the bonds were used to retire the notes due on December 17, 2004.

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**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$0	\$17,927	\$0	\$17,927
School Breakfast Program	045237-05PU-03/04	10.553	28,025		28,025	
National School Lunch Program	045237-LLP4-03/04	10.555	100,321		100,321	
Total United States Department of Agriculture - Nutrition Cluster			128,346	17,927	128,346	17,927
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045237-C1S1-2003/04	84.010	298,590		292,246	
Special Education Grants to States	045237-6BSF-2003/04	84.027	190,017		195,136	
Safe and Drug-Free Schools and Communities State Grants	045237-DRS1-2004	84.186	7,287		6,787	
Fund for the Improvement of Education	N/A	84.215			3,375	
Performance Incentive Grant Continuous Improvement	045237-G2-S1-2001	84.276	10,293		10,293	
Continuous Improvement	045237-G2-S2-01	84.276			16	
Total Continuous Improvement			10,293	0	10,309	0
Innovative Education Program Strategies	045237-C2S1-2003/04	84.298	34,455		31,478	
Education Technology State Grants	045237-TJS1-2003/04	84.318	41,595		74,625	
Comprehensive School Reform Demonstration	045237-RFS2-2003	84.332	67,500		76,778	
Improving Teacher Quality State Grants	045237-TRS1-2003/04	84.367	60,816		59,856	
Assistive Technology	045237-ATS4-2002	84.352A	1,947		1,943	
Total United States Department of Education			712,500	0	752,533	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	66,066		70,820	
Total United States Department of Health and Human Services			66,066	0	70,820	0
Total Federal Awards Receipts and Expenditures			\$906,912	\$17,927	\$951,699	\$17,927

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE 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) is a summary 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

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfers due to ODE administrative action:

CFDA Number	Pass-through Entity Number	Transfers-In	Transfers-Out
84.010	045237-C1S1-2003		\$33,097
84.010	045237-C1S1-2004	\$33,097	
84.298	045237-C2S1-2003		1,692
84.298	045237-C2S1-2004	1,692	
84.318	045997-TJS1-2003		20
84.318	045997-TJS1-2004	20	
84.367	045237-TRS1-2003		<u>7,066</u>
84.367	045237-TRS1-2004	<u>7,066</u>	
Total		<u>\$41,875</u>	<u>\$41,875</u>

The ODE permits School District's to transfer cash from certain federal award programs to certain other programs through budget amendments. The School District transferred cash to and from the following programs:

CFDA Number	Transfers-In	Transfers-Out
84.367		<u>\$56,812</u>
84.298	\$20,574	
84.318	<u>36,238</u>	
Total	<u>\$56,812</u>	<u>\$56,812</u>



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*

Bridgeport Exempted Village School District
Belmont County
501 Bennett Street
Bridgeport, Ohio 43912

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bridgeport Exempted Village School District, Belmont 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 May 4, 2005, wherein we noted the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and we noted the School District changed its capitalization criteria for capital assets from \$500 to \$2,000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated May 4, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated May 4, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Bridgeport Exempted Village School District
Belmont 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, the Board of Education, 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

May 4, 2005



Auditor of State Betty Montgomery

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

Bridgeport Exempted Village School District
Belmont County
501 Bennett Street
Bridgeport, Ohio 43912

To the Board of Education:

Compliance

We have audited the compliance of the Bridgeport Exempted Village School District, Belmont 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 apply to its major federal program for the year ended June 30, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures 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 apply to its major federal program for the year ended June 30, 2004.

Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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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Bridgeport Exempted Village School District
Belmont County
Independent Accountants' Report on Compliance with Requirements Applicable
to the Major Federal Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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 operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, 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

May 4, 2005

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT COUNTY**

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

**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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**BRIDGEPORT EXEMPTED VILLAGE SCHOOL DISTRICT
BELMONT 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
JUNE 9, 2005**